Unemployment rate expected to rise sharply

Senator says N.B. should fight UI cuts

Fish plant closure leaves 160 jobless

N.B. Senators Say End UIC Impasse

Proposed UI Changes Opposed

unemployment rate of more than 15 per cent, weeks of work required to collect UI will remain at ten, but are the bill was deadline. number of same areas nefit period Brunswick er job," he they both more

A delegation federation of L el to Ottawa W special comm studying a p 'nemployment The meeting ne Senate co urned down a ort to travel

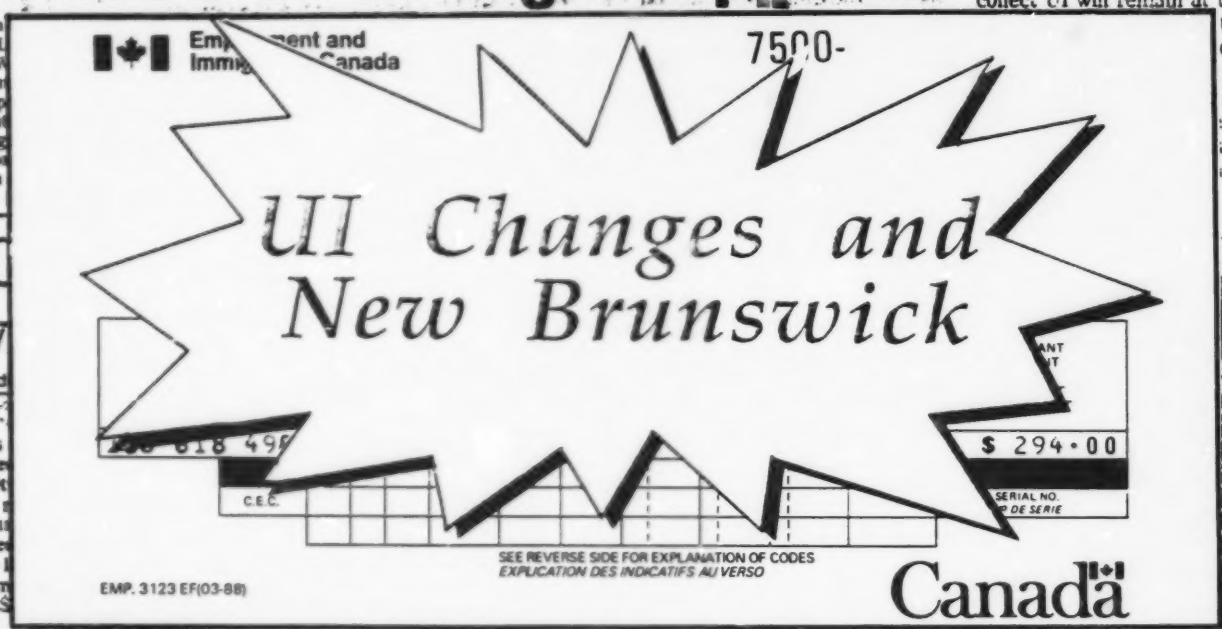
UIC hav

The Canad

In the Smith has raised thre because Ot eligibility lect the u ance she fe "We're next," Sm Digby, N.S

UI

Dec.	Nov.
11.6	11.6
7.0	6.2
10.0	9.3
4.9	6.5
9.1	8.0
6.1	7.5
8.8	7.6
4.1	4.1
3.5	4.2



Jobless rate climbs to 7.7 per cent

Jobless rate rises

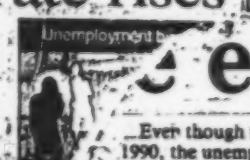
By LARRY WELSH
The Canadian Press

OTTAWA

The Canadian unemployment rate rose slightly in December and thousands of layoffs at fish plants, car factories and Via Rail mean there

not be unhappy to see ployment numbers be- ous month. In New Brunswick, it went up to 13.3 per cent from 12.8

EMPLOYMENT FIGURES



expected to rise sharply

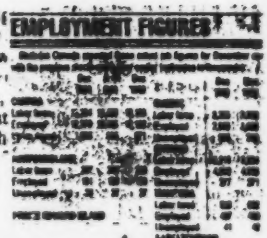
...Even though there will be more jobs in 1990, the unemployment rate is expected

153 points last August.

The last time the help-wanted index

deteriorating tion to slow

EMPLOYMENT FIGURES



Federal funding for the provinces could be next Wilson spending cut

Hundreds protest unemployment legislation

GMI GMI Consultants, Inc.

UI Changes and New Brunswick:

The Impact of Proposed Unemployment Insurance Revisions on New Brunswick's Labour Force and Economy

A Study Commissioned by the
New Brunswick Department of Labour

- Final Version -

Prepared by GMI Consultants, Inc.

February, 1990

GMI

90-06681/

Acknowledgements

This study was a collaborative effort of GMI Consultants Inc., Fitzgerald and Associates, Facts and Figures Research, and Gunner Mylar Associates. We also wish to thank the following agencies for their assistance on this project: N.B. Department of Labour, N.B. Statistics Agency, N.B. Department of Income Assistance, EIC Regional officials in Fredericton and Moncton, Statistics Canada (Ottawa) and the Canadian Labour Congress (Ottawa). Naturally, the findings and conclusions of this study are the sole responsibility of the consultants.

Ron McDonough
President
February, 1990.

GMI

Table of Contents

Summary of Major Findings and Conclusions		Page ii
List of Figures		Page iii
Chapter One	*Introduction*	Page 1
Chapter Two	*The Role of UI in New Brunswick*	Page 11
Chapter Three	*Analysis of Changes in Qualifying Weeks*	Page 20
Chapter Four	*Analysis of Changes in the Duration of Benefits*	Page 29
Chapter Five	*Impact on Seasonal Industries*	Page 38
Chapter Six	*Impact on Provincial Support Programs*	Page 45
Chapter Seven	*Implications of Boundary Line Changes to UI Regions*	Page 48
Chapter Eight	*Conclusion*	Page 52
Bibliography	*A List of Sources and References*	Page 54
Appendix A	*Table: Proposed Amendment to UI Benefit Schedule*	Page 55
Appendix B	*Critique of Federal Analysis of Duration of Benefits*	Page 56
Appendix C	*Notes on Sources of Data Used to Calculate UI Patterns, Trends and Impacts*	Page 59

GMI

Summary of Major Findings and Conclusions

- The proposed UI changes under Bill C-21 comprise the most sweeping revisions to the program in decades, particularly in terms of major cutbacks in benefits.

- New Brunswick's labour force has been very heavily dependent on UI benefits, and this dependency has not shown signs of decreasing.

- In 1988, over 97,000 workers in New Brunswick drew UI claims totaling *over $600 million* in benefits that year.

- The role of UI in the provincial economy is major, and the program rivals even the largest provincial budgets and far exceeds all other income support and development programs.

- Any substantial cutbacks in UI in New Brunswick would have significant implications for provincial fiscal policies.

- The proposed cutbacks to the UI program concerning *increased qualifying weeks* and *reductions in benefit durations* alone would have a major impact on New Brunswick's labour force and economy, despite federal projections to the contrary.

- Proposed increases in qualifying weeks could cut off as many as *22,000 workers* from access to the UI program, and result in a loss of *$150 million* in income benefits.

- Proposed reductions in the duration of UI benefit weeks could affect as many as *7,700 workers*, resulting in a loss of an additional *$16 million* or more.

- The total financial loss, therefore, could be over *$166 million* from these two proposed revisions alone.

- The major concentrations of these losses would be in the regions of Madawaska-Restigouche and Moncton, though significant impacts would also be experienced in the Fredericton and Saint John regions.

- Workers in seasonal industries account for 40% of all UI claims and are the most vulnerable to the proposed cutbacks. The next most vulnerable category would be workers in service occupations.

- The impact on provincial support programs could be substantial, requiring over $9 million in job creation initiatives to assist affected workers in getting extra qualifying weeks. Social assistance programs would also be heavily affected, though benefits would be far less than UI.

- The proposed UI changes should also be viewed in the wider context of overall federal deficit-reduction policies and their combined impact on New Brunswick, because it is doubtful that the cutbacks in UI would be offset by other sources of federal revenues.

LIST OF FIGURES

Figure 1 *Page 7* — Map of New Brunswick's Unemployment Insurance Economic Regions

Figure 2 *Page 8* — Comparison of Existing and Proposed Weeks to Qualify for UI

Figure 3 *Page 10* — Table showing lost weeks of benefits

Figure 4 *Page 12* — UI Benefits for New Brunswick: 1961-1988 (in constant 1981 dollars)

Figure 5 *Page 12* — UI Benefits for Canada: 1961-1988 (in constant 1981 dollars)

Figure 6 *Page 13* — UI Benefits for New Brunswick: 1961-1988 (in current dollars)

Figure 7 *Page 13* — UI Benefits -- $ Per Capita of Labour Force: 1988

Figure 8 *Page 14* — UI as a Percentage of Labour Income -- New Brunswick 1966-1987

Figure 9 *Page 15* — Comparison of UI Benefits and Non-Labour Sources of Income -- New Brunswick 1966 and 1987

Figure 10 *Page 15* — Major Income Support and Development Programs -- New Brunswick 1988-89

Figure 11 *Page 16* — UI Benefits Paid to New Brunswick in 1988 Compared With Leading NB Government Services

Figure 12 *Page 17* — Distribution of Claims by Leading Occupational Groups -- New Brunswick 1988

Figure 13 *Page 18(a)* — Distribution of UI Claims In New Brunswick by Economic Region: 1988

Figure 14 *Page 18(a)* — Total Labour Force and UI Claims by Economic Region -- New Brunswick 1988

Figure 15 *Page 22* — Weeks Worked to Qualify for UI -- New Brunswick 1988 (Pie Graph)

Figure 16 *Page 22* — Weeks Worked to Qualify for UI -- New Brunswick 1988 (Column Graph)

GMI

Figure 17 *Page 23* Weeks Worked to Qualify for UI -- Madawaska-Restigouche Region 1988

Figure 18 *Page 23* Weeks Worked to Qualify for UI -- Fredericton Region 1988

Figure 19 *Page 24* Weeks Worked to Qualify for UI -- Saint John Region 1988

Figure 20 *Page 24* Weeks Worked to Qualify for UI -- Moncton Region 1988

Figure 21 *Page 25* TABLE: Changes in Qualifying Weeks by Economic Region Based on Unemployment Rate

Figure 22 *Page 27* TABLE: Impact of Proposed Changes in Qualifying Weeks by Estimated Number of Benefit Periods Terminated in N.B.

Figure 23 *Page 27* TABLE: Impact of Proposed Changes in Qualifying Weeks -- Estimated Financial Loss in New Brunswick by Economic Region

Figure 24 *Page 31* Weeks on Claim in New Brunswick 1988 -- UI Regions and Provincial Totals

Figure 25 *Page 32* Weeks on Claim: Saint John 1988

Figure 26 *Page 32* Weeks on Claim: Fredericton 1988

Figure 27 *Page 33* Weeks on Claim: Moncton 1988

Figure 28 *Page 33* Weeks on Claim: Madawaska-Restigouche 1988

Figure 29 *Page 35* Reduction to Duration of Benefits -- Weeks and Dollar Loss by Economic Region

Figure 30 *Page 38* Beneficiaries Receiving UI Monthly -- New Brunswick 1988

Figure 31 *Page 39* Provincial Labour Force and UI Claims by Major Occupational Group -- New Brunswick 1988

Figure 32 *Page 40* Weeks Worked to Qualify for UI by Seasonal Occupational Groups -- New Brunswick 1988

Figure 33 *Page 41* Weeks on Claim for UI Beneficiaries in Selected Seasonal Occupational Groups New Brunswick 1988

Figure 34 *Page 42* Distribution of Seasonal UI Claims in Construction -- New Brunswick 1988

Figure 35 *Page 42* Distribution of Seasonal UI Claims in Fish Processing -- New Brunswick 1988

Figure 36 *Page 43* Distribution of Seasonal UI Claims in Forestry -- New Brunswick 1988

Figure 37 *Page 43* Distribution of Seasonal UI Claims in Fishing -- New Brunswick 1988

Figure 38 *Page 44* Distribution of Seasonal UI Claims in Agriculture -- New Brunswick 1988

Figure 39 *Page 45* TABLE: Additional Qualifying Weeks by Economic Region

Figure 40 *Page 49* Map of Proposed UI Economic Regions under Bill C-21

Figure 41 *Page 50* TABLE: January 15, 1990 -- Unemployment Rates and Qualifying Weeks -- Proposed UI Regions

Figure 42 *Page 51* TABLE: 1988 Average Unemployment Rates under Existing and Proposed UI Regions

Chapter One

Introduction

Background

Last year the federal government announced proposed amendments to Unemployment Insurance legislation which comprise the most sweeping revisions to the program since 1971. These amendments have generated a great deal of uncertainty over their potential impact on provincial and local economies. The controversy has intensified in recent months, and UI reform has become a major focus of public debate.

In New Brunswick, for decades UI has provided a crucial source of income support for a substantial portion of the labour force, as well as a major contribution to the provincial economy. In 1988, for example, over 97,000 workers (i.e. 30% of the more than 325,000 who contributed to the program) received in excess of $600 million in direct income benefits under the program. These figures place New Brunswick among the most dependent provinces in Canada on UI benefits. Moreover, since the 1982 recession, provincial income from UI has grown considerably.

This study was commissioned by the New Brunswick Department of Labour to examine the potential impact of the proposed legislative changes to UI on the province's labour force and economy. Given the project's compressed time frame (five weeks), the study's focus was restricted to major program changes and their primary implications for New Brunswick and its economic regions. Notwithstanding these constraints, the consultants attempted to address these factors in as comprehensive a manner as possible.

Because the specific objectives of the study and its approach require an understanding of federal amendments to UI legislation, they are preceded by a brief overview of proposed revisions to the program.

Overview of Proposed UI Changes

On April 11, 1989, the federal government released a set of policy papers under the title, "Success In The Works", which announced major changes to the UI program. These changes comprised the legislative amendments of Bill C-21, which was passed in the House of Commons but as of this writing has not received Senate approval. The policy papers and amendments define the new *Labour Force Development Strategy* (LFDS) of Employment and Immigration Canada, which is based on $1.3 billion of reallocations within the UI program.

The LFDS will redistribute these former federal UI expenditures for various "active training and re-employment measures for the unemployed". These programs (currently, at least) would be in addition to established programs under the EIC *Canadian Jobs Strategy*. In terms of UI benefits, the LFDS also includes provisions for increased benefits for maternity/parental leave and sickness, as well as new coverage for older workers and workers affected by labour disputes.

The major changes to the UI program, however, stem from substantial cutbacks (or "reallocations") in the existing benefit system. These include restrictions on benefits or penalties in three principal areas:

1. more restricted access to benefits via increases in the number of insured weeks of work required to qualify for benefits;
2. reductions in the number of weeks workers can receive benefits; and
3. penalties for "voluntary quitters without just cause", including longer waiting periods to access benefits, reductions in their rate of benefits and further reductions in their duration of benefits.

The first two restrictions alone are projected to reduce the existing UI benefit payout nationally by $770 million, which will comprise 60% of the $1.3 billion budgeted for LFDS programming. The bulk of remaining LFDS funding is anticipated to come from penalties on "voluntary quitters".

The federal policy paper on UI reform as well as a subsequent EIC analysis of their projected impacts (August 1989) insist that the major changes in qualifying weeks and the duration of benefits will have little, if any impact on regions of high unemployment in provinces such as New Brunswick. They further argue that these measures to tighten up the UI system will be offset by the positive provisions of LFDS programming.

A study recently commissioned by the government of Newfoundland and Labrador, however, has reached a very different conclusion:

> There is no doubt that [in Newfoundland] the distribution of benefits under the new system will not match the distribution of reduced benefits, with many of the new losers not being transformed into winners because of the new expenditures. (*An Analysis of Economic Impacts of Proposed Changes to the UI Program, September, 1989*)

As will be seen, the present study concurs with this analysis and suggests that the negative impacts of these proposed changes on New Brunswick will be considerable indeed.

Study Objectives

As noted, the time frame for this preliminary study was restricted to five weeks. The analysis was focused on two key areas of the proposed UI amendments, which were identified as those posing the greatest probable implications for New Brunswick's labour force. These amendments were (1) *increases in the number of insured weeks required to qualify for benefits*, and (2) *reductions in the duration of benefits*.

The specific objectives, in turn, were as follows:

1. to assess and analyze the potential impact of proposed increases in qualifying weeks in terms of the numbers of workers affected and consequent losses of benefit income earnings;

2. to assess and analyze the potential impact of proposed reductions in the durations of benefits in terms of estimated numbers of weeks lost by claimants and consequent losses in benefit income earnings;

3. to include in the above analyses estimates for New Brunswick and its four (UI) economic regions;

4. to assess the potential impacts of these changes on workers in seasonal industries, and the probable timing of this impact in 1990; and

5. to project the overall impact that the changes in qualifying weeks and the durations of benefits could have on provincial social assistance and employment development programming.

In addition, the consultants have included an introductory overview of the role of UI in New Brunswick's economy, in order to provide a wider context for the analysis of these specific impacts.

Study Approach

The approach to the study focused on a comparison of UI patterns and trends provincially and regionally using baseline data for 1988 (the most recent year for which complete information was available) and straight-line projections for 1990. Put another way, the approach asked: If the patterns of UI claims in 1990 were the same as those that occurred in 1988, what would be the impact of these key changes?

It should be emphasized that in all probability this will result in a conservative bias to the analysis of impacts. The baseline year of 1988 represents *the lowest number of UI beneficiaries recorded for New Brunswick in five years*, so that, should an economic downturn occur in 1990, a greater need for benefits will exist than was the case in 1988.

The study drew on the following principal sources of information, which are discussed in detail (along with other sources) in **Appendix C.** (The reader is advised to refer to this Appendix in order to understand the reasons for differences in certain calculations made in subsequent chapters.)

1. UI administrative data for New Brunswick accessed from federal EIC officials in Moncton and Fredericton;
2. Statistics Canada monthly and annual reports on UI claimants and expenditures;
3. a special Statistics Canada tabulation (late 1989) prepared for the Canadian Labour Congress and the provinces, comparing 1988 data on UI claims and benefits with adjustments based on proposed changes in qualifying weeks and benefit durations ; and
4. data derived from the federal EIC report: *Success in the Works -- A Labour Force Development Strategy for Canada: Analysis of Structural Changes to the UI Program*, August 1989.

The terms of reference for the study also requested that the consultants investigate the possible use of Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) for the study. This approach was rejected, because (1) the database does not extend beyond 1985 and (2) no data are available for the province's economic regions.

Finally, the consultants were asked to investigate the feasibility of comparing existing EIC boundaries for New Brunswick's UI regions with newly proposed boundaries under Bill C-21. This is dealt with in Chapter Seven of the report.

A Note on the Federal Analysis

Because the federal government has prepared and released its analysis of the projected impact of the proposed UI changes nationally and provincially, the consultants have felt obliged to respond to this analysis. Their report (*Success in the Works -- A Labour Force Development Strategy for Canada: Analysis of Structural Changes to the UI Program*), therefore, has been referred to throughout this study. The federal analysis, however, is based on certain assumptions and approaches which, in our view, are neither applicable nor acceptable in terms of the New Brunswick situation. These should be addressed at the outset. Their analysis assumes (implicitly, at least) that the vast majority of workers affected by the proposed UI regulations will find whatever additional weeks of work may be required either to qualify for benefits or to compensate for the weeks of benefits they would lose under the new system. Given the labour market realities of New Brunswick's economically depressed regions, we categorically reject this assumption.

Secondly the federal study's approach is flawed by its focus on the "average duration of claims" in New Brunswick (and elsewhere). This has resulted in a merging of all categories of claimants in the province, which fails to assess significant variations both within and between its economic regions. The net effect of this approach has led to a very misleading picture of the actual dependency of claimants in New Brunswick. (These points will be dealt with in greater detail in subsequent chapters of the report).

Review of the Two Key Changes

The UI system is a complex system, though much of this complexity stems from its design to provide maximum levels of benefits to workers in regions marked by limited opportunities and thereby in greatest need of income assistance. Whatever, it is important that the reader understand the two key changes in UI regulations which will be the major focus of this report.

Qualifying weeks refer to the number of insured weeks of work (i.e. weeks for which UI premiums were paid by workers and their employers) which are required in a given economic region to qualify for UI benefits. The *minimum number* of qualifying weeks is determined by the unemployment rate in the worker's region at the time he or she initiates a claim for UI benefits. (Currently Canada is divided into 48 economic regions, four of which define the UI regions of New Brunswick.) The lowest number of qualifying weeks is restricted to workers in regions with the highest unemployment rates. As the unemployment rate goes down, more qualifying weeks are required.

This is technically referred to as the "variable entrance requirement", which simply means that the number of "required" work weeks to "enter" the benefit program "varies" with the unemployment rate. Hence, the system's principle of equity, and the related assumption that people living in high unemployment areas cannot be expected to find as many weeks of work as those living in low unemployment areas (where more job opportunities are available).

Under the existing UI system, *any economic region with an unemployment rate of over 9% allows workers to qualify for benefits with 10 insured weeks of work.* More weeks are required in regions with lower unemployment rates, but the *maximum requirement is 14 weeks.* As will be seen shortly, however, the proposed UI regulations would increase these requirements substantially in order to restrict access to the program.

Duration of benefits refers to the number of weeks that workers can receive benefits from the start to the end of their UI claim. (This is known technically as the "period of benefit entitlement"). While this is a simple enough provision to understand at one level, in fact the calculation of the duration benefits within the existing UI system is more complex.

Once again, however, the complexity is based on equity considerations.

The duration of benefits is calculated on the basis of two factors: (1) regional unemployment rates and (2) the number of weeks a claimant has worked. These variables are accounted for in a "three-phase benefit structure", which is not worth detailing at this juncture beyond the following points: the structure is designed *both* to allow workers in regions of high unemployment to claim more weeks of benefits than those in low unemployment regions, *and* to allow workers (in any region) who have worked for longer periods to claim more weeks than those who have worked for shorter periods.

The equity considerations in this case, therefore, are designed to account for regional disparities in job opportunities, as well as to account for the fact that individual workers who have paid more UI premiums (because they have worked longer) should be entitled to more benefit weeks than individuals who have paid less premiums (because they have worked for shorter periods).

Under the existing UI system, workers in economically depressed regions where the unemployment rate is over 16% can secure up to 42 weeks of benefits with 10 qualifying weeks of work. As many as 50 weeks can be drawn by workers with 30 insured weeks in regions where the unemployment rate is 11% or more. Under the proposed regulations, however, the durations of benefits would be significantly restricted.

Given this background, attention can now be devoted to a comparison of the existing and proposed regulations for these key components of the UI program. Because this discussion will refer at points to New Brunswick's (UI) economic regions, **Figure 1** (following page) provides a map of the province's four designated regions, i.e. Saint John, Fredericton, Moncton, and Madawaska - Restigouche. (It should be noted, however, that the first three refer not only to the urban areas named, but also to the entire regions surrounding them). The map indicates ranges of unemployment rates for each region over the 1988 period.

On a final note (as mentioned in the *Approach*, page 4), it should be emphasized here that Bill C-21 also includes provisions for changing the boundaries of these regions While these will be dealt with in Chapter 7, the reader should be aware that if these changes are implemented, the region of Madawaska-Restigouche will be extended southward and eastward into a new region, "Restigouche-Charlotte" (see **Figure 40**, page 49). The effect of these changes would be to reduce the influence of the province's three major urban areas on surrounding rural areas in terms of calculations of official unemployment rates for UI. Many of these outlying communities have very high levels of unemployment, but currently the surveys of these areas are lumped in with the substantially lower levels of unemployment in the urban areas, with the result that their rates are averaged downward. However, all of the major databases available for this report were based on the existing regions, and so while there is no doubt that the proposed new boundaries would have an impact on regional unemployment rates, they could not be assessed in any accurate or even approximate sense here.

Province of New Brunswick

Unemployment Insurance Economic Regions

Figure 1

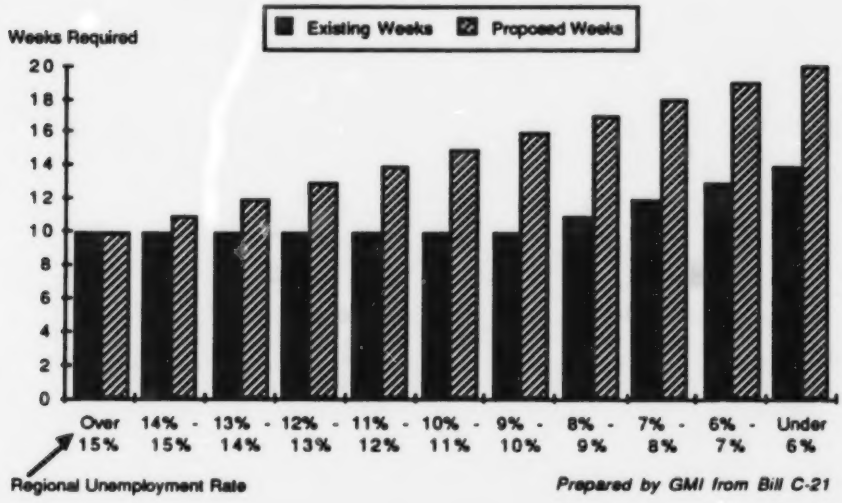
Regional Unemployment Rates for 1988	
Fredericton	11% - 12%
Saint John	11% - 12%
Moncton	11% - 12%
Madawaska-Restigouche	14% - 15%

GMI

Figure 2 provides a comparison of existing and proposed qualifying weeks by regional unemployment rates. As may be seen (and as noted earlier), the existing requirements permit people with 10 insured weeks of work to claim UI benefits in all regions with unemployment rates

Figure 2

Comparison of Existing and Proposed
Weeks Required to Qualify for UI



exceeding 9%. In contrast, the proposed regulations would restrict claims based on 10 work weeks to regions with unemployment rates over 15%.

Figure 2 further illustrates that under the proposed regulations, with each percentage point the unemployment rate drops, an additional insured week of work would be required to access benefits. So while existing regulations require a maximum of only 14 weeks to initiate a claim in even the lowest unemployment regions, the proposed regulations would increase this maximum requirement considerably to 20 weeks (i.e. for regions with rates of 6% or less).

For New Brunswick, however, the most significant changes in qualifying weeks (under the province's existing regional boundaries) would be those proposed for regional unemployment rates of 10% and above.

Once again, the existing system permits 10 qualifying weeks for this entire range of rates. The proposed system would add *five more weeks* of work to regions of over 10% to 11% unemployment, or a requirement of *fully 15 insured work weeks*. Even workers in regions with an unemployment rate of 15% are expected to secure an additional week of insured earnings, or a total of 11 work weeks. This is despite the fact that this rate of unemployment currently represents nearly *double the national average*.

In brief, then, these proposed increases in qualifying weeks would constitute much more substantial barriers to accessing UI benefits than the existing regulations even in regions of high unemployment, such as those of New Brunswick. Prior to discussing parallel proposed changes in the duration of benefits, the reader should be aware that the major significance of the changes in qualifying weeks lies in the fact that workers affected adversely by the proposed regulations will not simply see their benefits reduced, but *will be totally excluded from the UI system.* This would result in many instances to losses of as much as 42 full weeks of benefits.

Figure 3 on the following page presents a table which represents the estimated lost weeks of benefits derived from comparing existing maximum benefit periods with proposed (i.e. reduced) benefit periods under Bill C-21. The range of unemployment rates selected here reflect those typically applicable to New Brunswick (i.e. 10% and over).

The *blank areas* in the categories of 10 to 14 "weeks worked" refer (as noted in the table) to the fact that *all workers within these categories would be excluded from access to UI benefits because of changes in qualifying weeks.* Consequently, they would experience *total losses* under the proposed system, whereas they are eligible for between 42 to 45 weeks of benefits under the existing system.

For those who qualify for UI under the proposed regulations, the loss of benefits for many claimants remain substantial, as the table indicates. While Chapter Four will address these impacts in detail, it may be noted here that the range of losses in benefits would be between one to fully 13 weeks. Even claimants in very high unemployment regions of 15%-16% who qualify with 10 insured weeks of work will lose five weeks of benefits, while those in regions with rates over 16% will lose three weeks. Moving down the table, for those with 11 weeks of work at unemployment rates of 14%-15%, seven weeks of benefits will be lost, and for those with 14 weeks of work at 11%-12%, fully 13 weeks will be lost.. Naturally, these represent very significant cuts in income support, and (contrary to federal claims) they will impact heavily on regions of high unemployment.

LOST WEEKS OF BENEFITS

42-45 weeks lost because workers cannot qualify

Regional Unemployment Rate (Percent)

Weeks Worked	10-11%	11-12%	12-13%	13-14%	14-15%	15-16%	> 16
10						5	3
11					7	5	3
12				9	7	5	3
13			11	9	7	5	3
14		13	11	9	7	5	3
15	13	13	11	9	7	5	3
16	13	13	11	9	7	5	3
17	13	13	11	9	7	5	3
18	13	13	11	9	7	5	3
19	13	12	10	8	6	4	2
20	13	11	9	7	5	3	1
21	13	10	8	6	4	2	0
22	13	9	7	5	3	1	
23	12	8	6	4	2	0	
24	11	7	5	3	1		
25	10	6	4	2	0		
26	10	6	4	2			
27	9	5	3	1			
28	9	5	3	1			
29	8	4	2	0			
30	8	4	2				
31	7	3	1				
32	7	3	1				
33	6	2	0				
34	6	2					
35	5	1					
36	5	1					
37	4	0					
38	4						
39	3						
40	3						
41	2						
42	2						
43	1						
44	1						

Less Than 1 Indicates No Loss of Benefit Weeks

Figure 3

Chapter Two

The Role of UI in New Brunswick

As noted in the *Introduction*, the role of UI in New Brunswick has been a major one, and the dependency of the province's labour force and economy on this important source of direct income support has increased substantially over the past three decades. This chapter is dedicated to an overview of the scale of this dependency currently and historically, in order to provide a wider context to the analysis of proposed changes discussed in the chapters following.

Comparisons with National Trends

Figures 4 and 5 (on the following page) provide a comparison of the historical use of UI benefits for New Brunswick and Canada for the period 1961 to 1988 (*based on constant 1981 dollars*). Both graphs illustrate the major upward climb in benefits from the early 1970s onwards, following the 1971 amendments to the program, which increased access to benefits significantly, particularly for workers in underdeveloped regions.

It may be noted, however, that in contrast to the more erratic, "steplike" climb for Canada throughout most of the 1970s, the pattern for New Brunswick was a more continuous one, thereby reflecting the more constant income needs of its economically depressed regions.

The next most significant shift in both graphs reflects the impact of the 1981-82 recession, and the resulting major increases in UI claims nationally and provincially. The graph for Canada, however, rises rapidly to a peak in 1983 and subsequently shows a fairly marked decline in benefit payments from that point to 1987 - 88. No such decline is evident for New Brunswick.

Rather, the provincial graph indicates a continuing climb until approximately 1984, followed by a leveling out of total payments between 1984 and 1987 and a fairly sharp increase between 1987 and 1988. In brief, these contrasting patterns over the past decade underline the much more difficult constraints facing New Brunswick's economy in recovering from the recession than has been the case at the national level.

As noted, the graph represents calculations based on *constant 1981 dollars*, which indicates a total UI payout for New Brunswick in 1988 of approximately $425 million.

Figure 4

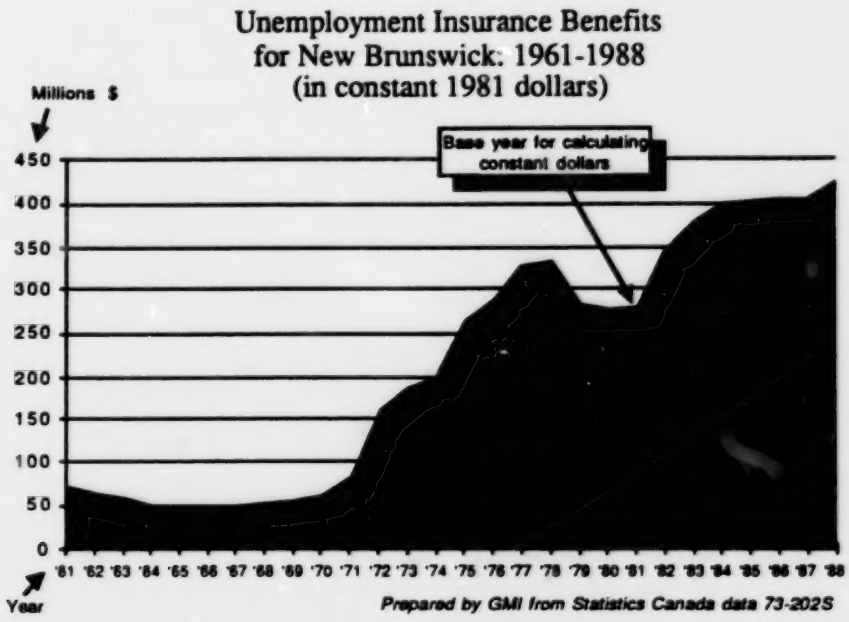


Figure 5

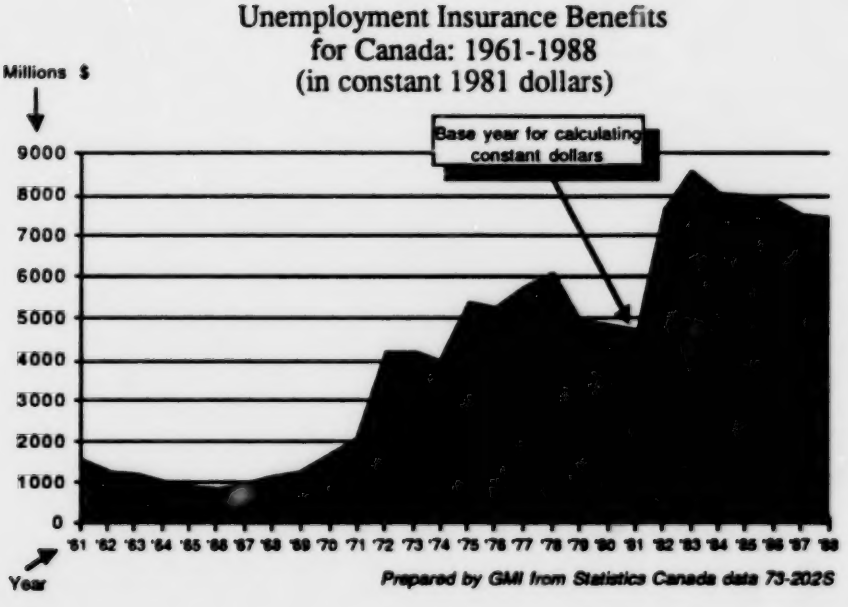
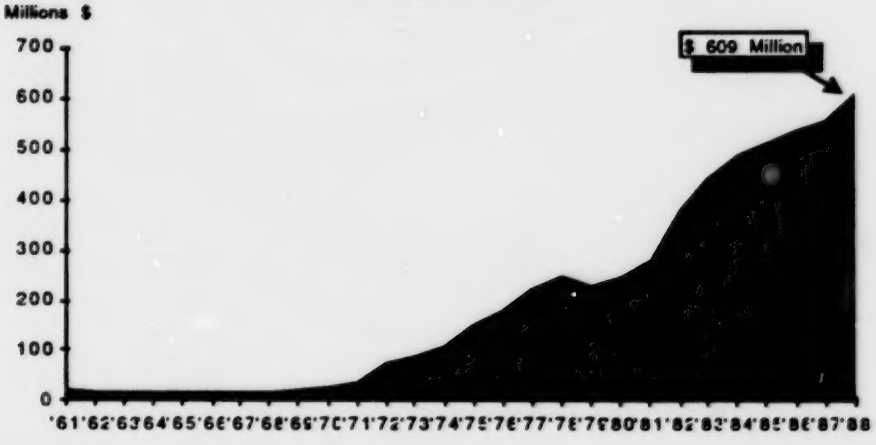


Figure 6 provides a graph based on calculations in *current dollars* for New Brunswick over the same period (1961 - 1988). The steady increase depicted here, therefore, combines the twin impacts of increasing dependency on UI benefits with parallel increases in inflation, culminating in a total provincial UI payout in 1988 of *$609 million.* In order to place this total in a more revealing context, **Figure 7** compares New Brunswick's dependency in 1988 on UI benefits with that of Canada and Ontario (the nation's most prosperous province). The graph illustrates quite clearly the scale of disparities involved here.

Figure 6

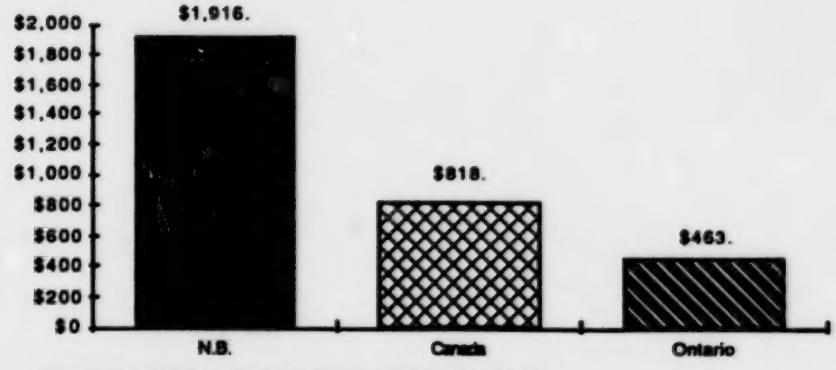
Unemployment Insurance Benefits
for New Brunswick: 1961-1988
(in current dollars)



Prepared by GMI from Statistics Canada 73-202S

Figure 7

Unemployment Insurance Benefits
$ per capita of Labour Force: 1988



Prepared by GMI from Statistics Canada 73-001 and 71-529

GMI

When dividing New Brunswick's total UI payout that year by its total labour force, the average was *over $1,900*. This constituted well over double the comparative national average, and over four times the Ontario average.

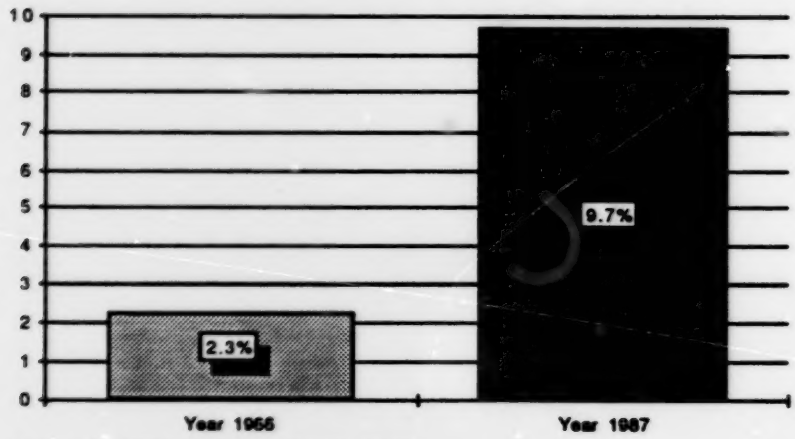
Comparisons with Other Indicators

The growth of UI benefits in New Brunswick has not simply been restricted to increases in direct payments to the province's labour force. Rather, this trend has been paralleled by the growth of these payments as a proportion of total provincial revenues.

Figure 8 compares UI benefits as a percentage of total labour income between 1966 and 1987. The graph illustrates quite clearly the major rise in UI's share of income, from only 2.3% in 1966 to fully 9.7% in 1987, or *more than a four-fold increase* during the 22-year period.

Figure 8

UI as a Percentage of Labour Income
New Brunswick 1966-1987

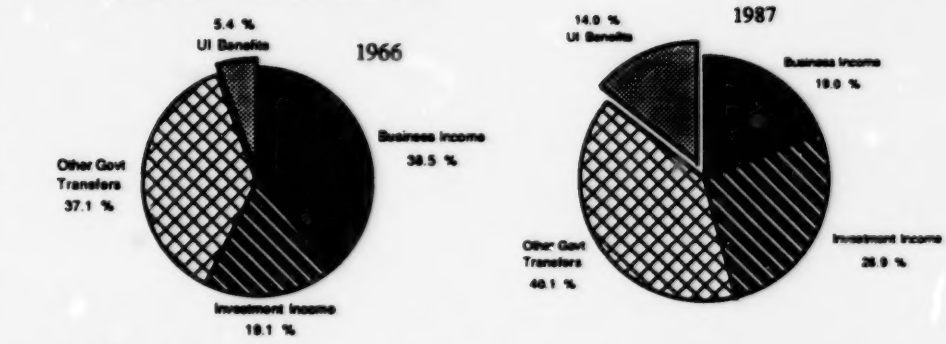


Prepared by GMI from Statistics Canada 13-213

Figure 9 (following page) compares UI benefits with non-labour sources of income provincially for the same period. Once again, the increase is substantial, with UI rising from only 5.4% of the total of these revenues in 1966 to 14% in 1987, or *over two and a half times* its former share. Indeed, by 1987 UI benefits rivalled total business income, in sharp contrast to the earlier period.

Figure 9

Comparison of UI Benefits and Non-Labour Sources of Income, New Brunswick

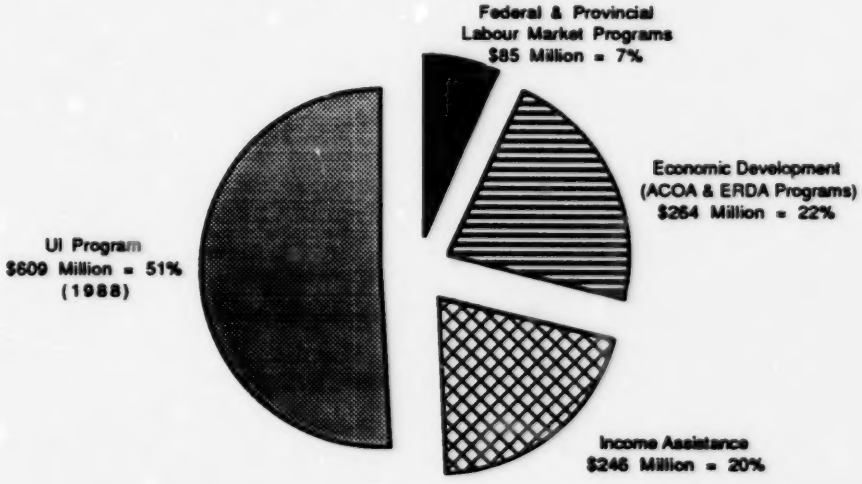


Prepared by GMI from Statistics Canada 13-213

A further indication of UI's role in New Brunswick may be gleaned from comparisons with established government programming. **Figure 10** provides a graph of major income support and development programs for New Brunswick, based on fiscal 1988 - 89 total estimated budgets. When compared with UI benefits paid in 1988, *all of these programs together* fail to exceed the total UI payout.

Figure 10

Major Income Support and Development Programs
New Brunswick 1988-89



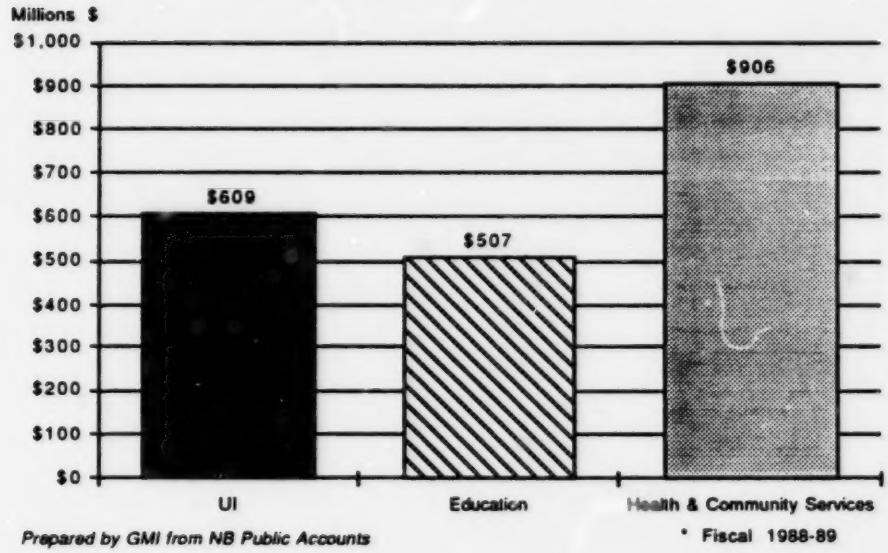
Prepared by GMI from Gov't Administrative Data

GMI

Similarly as a final frame of reference, **Figure 11** compares the same UI total (1988) with the two leading budgets of provincial government departments in fiscal 1988-89, i.e. Education and Health and Community Services. As the graph indicates, UI benefits exceed the total Department of Education budget by *over $100 million*, while constituting *over two-thirds* of the total budget devoted to Health and Community Services, the province's largest single departmental expenditure.

Figure 11

UI Benefits Paid to New Brunswickers in 1988
Compared with Leading NB Government Services *



Prepared by GMI from NB Public Accounts

* Fiscal 1988-89

Clearly, then, the UI program constitutes a very major player in the provincial economy, despite the fact that until very recently it has rarely received the same level of public attention that other established programs and services have been awarded -- particularly in terms of concerns over budgetary cutbacks or reallocations. Whatever, as the preceding comparisons should indicate, any substantial reductions to UI in New Brunswick would have significant implications indeed for provincial fiscal policies.

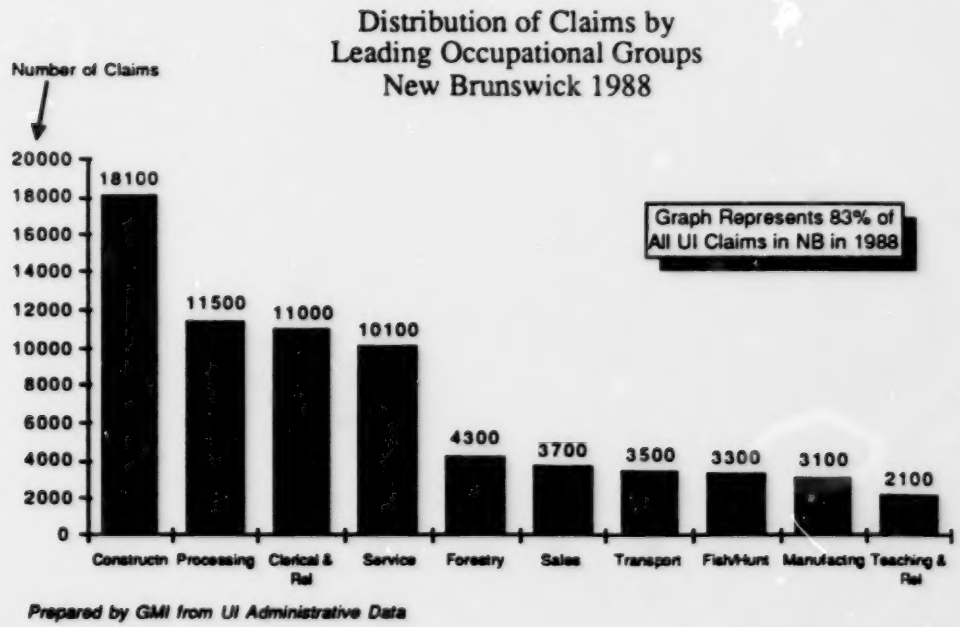
Given this background, attention can now be devoted to overall patterns of UI dependency provincially.

In 1988 over 120,000 regular UI claims were drawn in New Brunswick totaling in excess of $600 million. While the provincial labour force comprised but 2.4% of the Canadian labour force in 1988, New Brunswick's UI claims accounted for *nearly 5% of total national claims* in the same year, or double the share of its labour force. Once again, it should also be borne in mind that 1988 represented the lowest number of beneficiaries (to that period) for New Brunswick in five years. (The statistics presented below are based on an estimated total of 85,575 individual claimants from UI administrative data.)

Occupational Dependencies

In terms of occupations, **Figure 12** presents the 1988 distribution of claims by leading occupational groups (which, as noted on the graph, comprise 83% of all claims that year). Predictably, seasonal and service occupations dominate the distribution, with construction and processing jobs taking the lead, followed by clerical and service jobs. Of the complete total of claims in 1988 (i.e. 100%) construction workers alone accounted for over 20%.

Figure 12



While a subsequent chapter will be devoted to a more detailed analysis of seasonal industries, their overall dominance may be underlined here. Taken together, those occupations marked by seasonal work patterns (construction, processing, forestry, and fishing / hunting) comprised over 37,000 claims in 1988, or *approximately 45% of all claims* in New Brunswick. (This total excludes service jobs in the tourism sector, another seasonal industry, for which no specific figures are available.)

The second most significant collection of occupational categories (which could be loosely defined as "service occupations" generally) would be those related to typically low wage, unstable job opportunities within the clerical, service, sales and transport sectors. Together, these account for 28,300 claims, or an *additional 34% of total claims* in 1988.

By adding seasonal occupations, therefore, to these "service" occupations, both general categories account for *nearly 80%* of all UI claims in 1988. And while it is true that these occupational groups contain certain sub - groups of relatively well paid workers, there can be no doubt that the vast majority comprise low wage earners dependent on either seasonal or unstable opportunities which (in either case) have made them equally dependent on income support.

Regional Dependencies

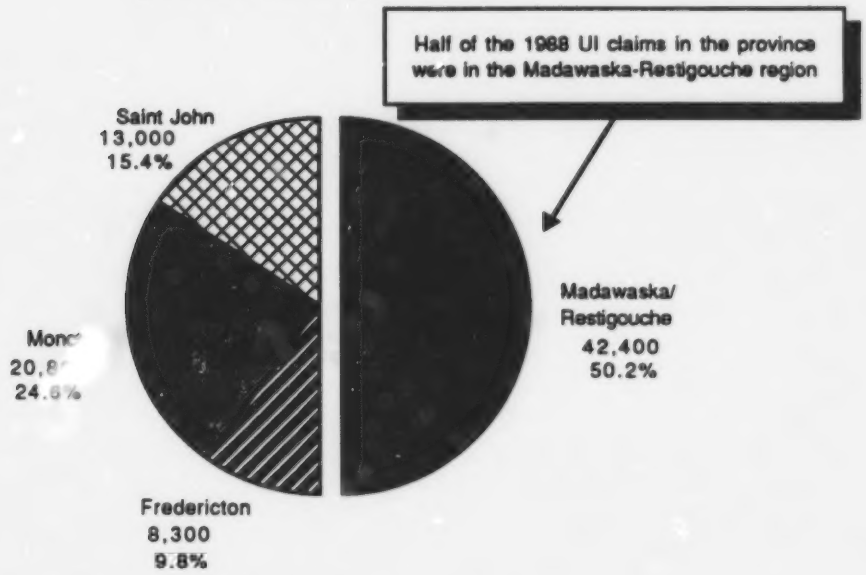
Variations in dependencies on UI between New Brunswick's regions are even more revealing than those based on occupational groups. To a certain extent, however, the two discussions overlap, particularly in terms of the concentration of seasonal industries within the province's most economically depressed regions.

Figure 13 (see following page) shows the distribution of UI claims for the province's four regions in 1988. The graph illustrates quite clearly the scale of disparities involved here. The province's northern region (Madawaska-Restigouche) accounts for *half of all claims*, followed by the Moncton region, which accounts for an additional quarter. Between them, therefore, these two regions account for *fully three-quarters of provincial claims* in 1988. In contrast, the Fredericton and Saint John regions account for only a quarter of all claims between them.

To a certain extent, these variations are a result of the different sizes of the labour forces of the four regions. For example, the labour force of Madawaska-Restigouche is roughly double that of Fredericton. Nonetheless, the total number of claims in the former region is *over five times* that of the latter. **Figure 14** (see following page) illustrates this point more clearly.

Figure 13

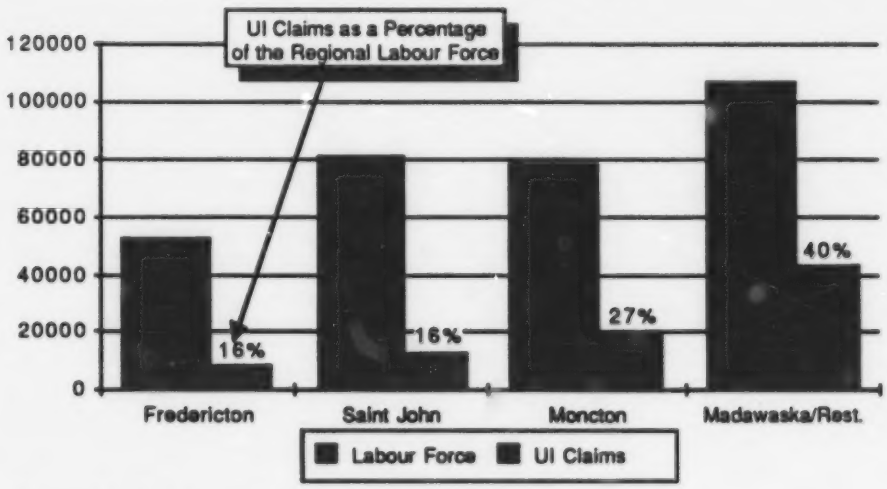
Distribution of UI Claims in New Brunswick by Economic Region: 1988



Prepared by GMI from UI Administrative Data

Figure 14

Total Labour Force and UI Claims by Economic Region New Brunswick 1988



Prepared by GMI from Statistics Canada data 71-529

GMI

As the graph indicates, in the Fredericton region UI claims represented only 16% of the labour force, whereas in Madawaska-Restigouche they represented *fully 40% of the labour force*. Similarly, although the size of the Saint John region's labour force is roughly equivalent to that of the Moncton region, the former's share of UI claims by labour force is only 16%, whereas the share for the Moncton region is 27%, or *over half again* that of Saint John.

This is not to overlook the fact that both the Fredericton and Saint John regions contain within them areas marked by very serious problems of unemployment and under-employment. Even the Moncton region could be more critically examined in this regard. All three of these regions are heavily affected by their large urban centres, which typically have much stronger employment opportunities than many of their surrounding communities, with the result that the urban areas distort the overall regional picture. Nonetheless, the major concentrations of claims provincially remain as depicted.

The chapters following will provide a more detailed discussion of these regional and occupational variations in the context of existing and proposed UI regulations concerning qualifying weeks and the duration of benefits.

Chapter Three

Analysis of Changes in Qualifying Weeks

Qualifying weeks are of critical importance to the analysis of proposed UI changes in New Brunswick, because (as noted earlier) these regulations on "entrance requirements" define whether or not workers can qualify for benefits in the first place. Put another way, these requirements define "the gate" to the program, so that if a worker in a given economic region cannot secure the required number of insured weeks of work, he or she will be *unable to access any benefits.*

Assumptions

In the *Introduction* to this study, it was underlined that we categorically reject the assumption of the federal EIC analysis concerning the ability of workers in economically depressed regions of New Brunswick to secure additional weeks of insurable earnings to qualify for UI benefits. In fact, the federal study itself contains conclusions that would support our position, and consequently we have included them here.

The study initially argues that "the changes in entrance requirements (i.e. qualifying weeks) and benefit duration have been tailored to have *virtually no impact in areas where unemployment rates are highest* " (p.1 emphasis ours). In a later section ("Effects on Claimants") the federal assumption on qualifying weeks are revealed:

> ...Since the changes are designed to encourage longer work effort *in areas where prospects for work are strongest*, a reduction in UI benefits does not necessarily imply a financial loss to individuals. It is expected that in many cases income now derived from the UI program will be replaced by employment income (p. 20, emphasis ours).

The contradictions immediately emerge on the next page, however, in the following statements:

> Some claimants who are affected by the higher entrance requirements may experience adverse impacts since some workers may be unable to obtain sufficient weeks of work to qualify for UI. (p. 21)

and:

> In provinces such as New Brunswick and Prince Edward Island, workers have relatively fewer weeks of work prior to coming on claim. As a result, claimants in these provinces are relatively more affected by the increased entrance requirements. (p. 21)

In brief, while the program has been designed to have no impact on workers in high unemployment regions, it will nonetheless have an impact on them. Perhaps it is because of this contradiction that the federal analysis provides no clear indication of how it arrived at its estimates concerning impacts of changes in qualifying weeks.

As will be seen shortly, patterns of UI claims in New Brunswick show a fundamentally heavier concentration of claims based on short periods of work attachement than is the case nationally. The bulk of this concentration is based on claims in the province's more economically depressed regions. To argue that the cause of these patterns of short work attachment stems from workers' "exploitation" of "overly generous" UI provisions is to ignore the labour market realities of these regions.

These patterns of claims are a direct function of fundamental restrictions on viable, long term employment and income opportunities, particularly in areas dependent on seasonal industries. That is why they are marked by very high rates of unemployment in the first place. It is not the characteristics of the labour forces of these regions which cause these conditions; rather, it is the major dependency of these workers on resource-based, seasonal industries that causes these conditions.

For these reasons, we cannot accept the federal assumption that workers in these regions will somehow be able to find additional weeks of work should the proposed UI regulations require them to. Nor can we therefore accept the extremely low projections arrived at by federal analysts concerning the impact of increases in qualifying weeks in New Brunswick, which could only have been based on an extreme application of that assumption.

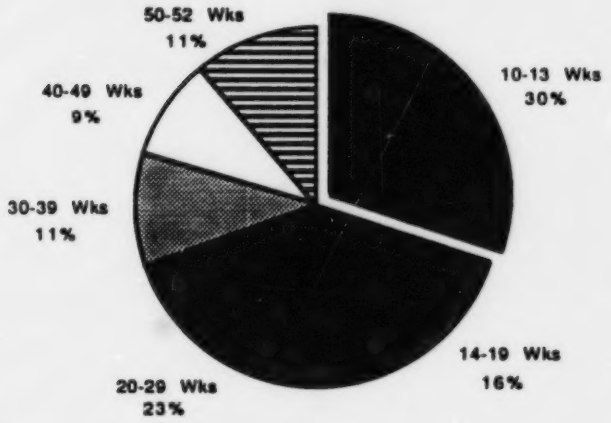
Given this orientation, the sections following will deal with these points in greater detail.

Pattern of Claims by Qualifying Weeks

Figures 15 and 16 clearly demonstrate the reliance upon the UI program by individuals with short periods of work. *Thirty percent*, or 25,500 of the UI claims in N. B. in 1988 were opened with fewer than 14 qualifying weeks. This is in sharp contrast to *only 7%* for such claims in Canada. Moreover, according to the federal analysis of 1987 data, New Brunswick accounted for *fully 20% of all 10-14 week claims in Canada* that year despite the fact that the provincial labour force only accounts for 2.4% of the national total.

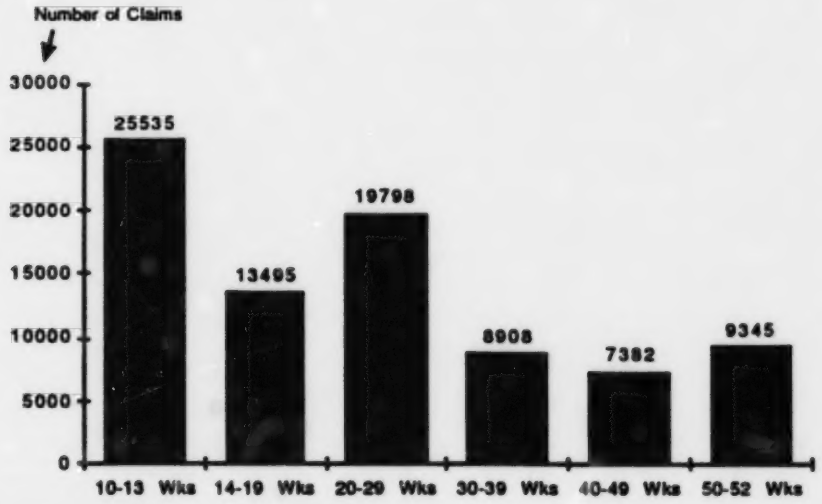
Figure 15

Weeks Worked to Qualify for UI
New Brunswick 1988



Prepared by GMI from UI Administrative data

Figure 16



Prepared by GMI from UI Administrative Data

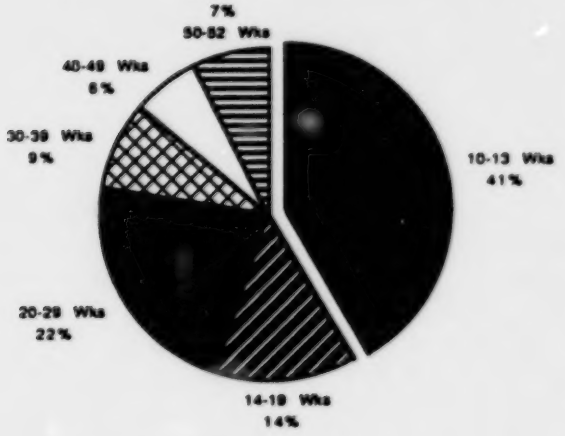
GMI

An examination of the province's four UI regions is even more telling. **Figures 17 to 20** illustrate that while in the Fredericton region *only 4%* of claims in 1988 were accessed with 10-13 qualifying weeks of work, in the Madawaska-Restigouche region *fully 40%* of claims were in this range, or *10 times the proportion for Fredericton.* Moreover, it should be emphasized in this context that Madawaska-Restigouche accounted for *half of all claims in New Brunswick* that year.

The Moncton regional claims of 10-13 weeks were the second largest, *comprising 30%*, while Saint John showed 11% of claims in this category.

Figure 17

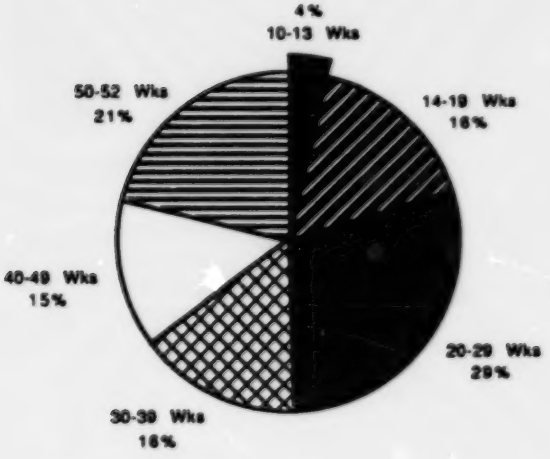
Weeks Worked to Qualify for UI
Madawaska/Restigouche Region 1988



Prepared by GMI from UI Administrative Data

Figure 18

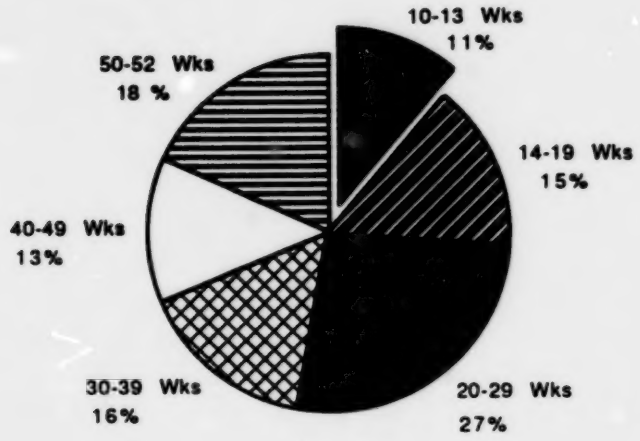
Weeks Worked to Qualify for UI
Fredericton Region 1988



Prepared by GMI from UI Administrative Data

Figure 19

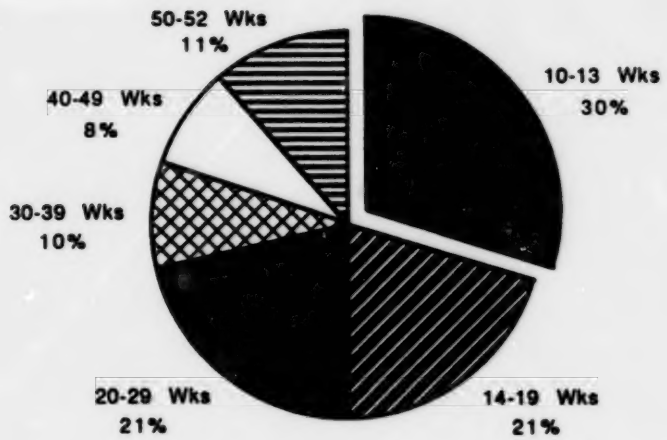
Weeks Worked to Qualify for UI
Saint John Region 1988



Prepared by GMI from UI Administrative Data

Figure 20

Weeks Worked to Qualify for UI
Moncton Region 1988



Prepared by GMI from UI Administrative Data

Regional Unemployment Rates and Qualifying Weeks

As underlined earlier, unemployment rates play a major role in defining access to the UI system, and consequently this section is devoted to an explanation of the rates that will be used in the analysis of impacts on qualifying weeks that follow.

The official unemployment rates for UI regions in Canada are based on a special monthly tabulation prepared by Statistics Canada for Employment and Immigration Canada. The tabulations are derived from a three - month moving average of seasonally adjusted unemployment rates for each region. From this approach, monthly averages are calculated and provided to the EIC and, in turn, their regional offices.

The unemployment rates presented below for New Brunswick's regions were based on official rates calculated for each region that year. The distribution of New Brunswick's rates by economic region are provided below. The table also indicates the different numbers of qualifying weeks that these rates would require under the existing versus the proposed regulations.

As a further guide to the reader, we have also reprinted here the graph of comparisons of existing and proposed qualifying weeks presented in an earlier chapter (i.e., **Figure 2** of the *Introduction* -- see next page).

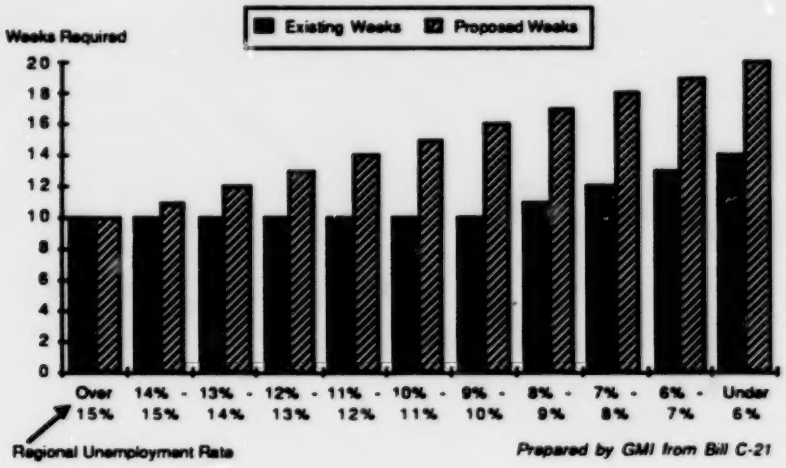
As the table indicates, the proposed regulations would result in an *additional four qualifying weeks* for the Fredericton, Saint John and Moncton regions, and *one additional week* for workers in Madawaska - Restigouche. These changes were used as the basis for calculating the specific impacts of the proposed regulations in the section following.

Changes in Qualifying Weeks By Economic Region Based on Unemployment Rate

Region	Unemployment Rate	Existing Qualifying Weeks	Proposed Qualifying Weeks
Fredericton	11% - 12%	10	14
Saint John	11% - 12%	10	14
Moncton	11% - 12%	10	14
Madawaska/ Restigouche	14% - 15%	10	11

Figure 21

Comparison of Existing and Proposed
Weeks Required to Qualify for UI



Analysis of Impacts

The consultants initially attempted to apply these changes in qualifying weeks for each region to distributions of claims in 1988 accessed from EIC officials in Moncton. Unfortunately, their administrative data grouped claims by qualifying weeks in intervals that could not be directly related to the existing and proposed requirements (e.g. "1 - 13 weeks").

As noted, however, Statistics Canada had recently prepared a special tabulation (initiated by the Canadian Labour Congress) comparing the actual distribution of claims in 1988 under existing UI regulations with distributions of claims adjusted to estimate the impact of the proposed regulations under Bill C - 21. These tabulations were subsequently prepared for each province, and the New Brunswick tabulations were therefore used as the major source of the projections made here.

The Statistics Canada estimates were based on the assumption of "no change in behaviour on the part of either individuals or employers" and therefore share the assumption of the consultants discussed earlier, i. e., that workers will not be able to secure the additional weeks required to access benefits. The very considerable gap between these projections and those of the federal EIC analysis will be dealt with shortly.

Finally, the special Statistics Canada tabulation defined the UI claims recorded in terms of *the number of benefit periods terminated* during 1988. (It was assumed that persons terminated benefit periods if they received the maximum allowable benefits or were not identified on successive files of 24 or more weeks.)

Figure 22 provides the results of the analysis of these calculations for New Brunswick and its regions.

Figure 22

Impact of Proposed Changes in Qualifying Weeks by Estimated Number of Benefit Periods Terminated in N.B.

Existing Legislation Region	Qual Wks		Proposed Legislation Qual Wks		Loss	%
Fredericton	10	11335	14	10190	1145	-10%
Saint John	10	15344	14	13418	1926	-13%
Moncton	10	23508	14	15672	7836	-33%
Madawaska/ Restigouche	10	47046	11	35963	11083	-24%
Provincial Total		*97,233*		*75,243*	*21,990*	*-23%*

As may be noted, the impact of the proposed changes would be substantial indeed if workers cannot secure the additional weeks of work required. While the Fredericton and Saint John regions would see a disqualification of between 10% to 13% of existing claims, the Moncton and Madawaska-Restigouche regions would be confronted with disqualifications of *33% and 24%*, respectively.

The total number of disqualifications (i.e. lost claims) provincially would be approximately *22,000*, or *nearly a quarter of all claims*. Over 11,000 claimants would lose total access to UI benefits in Madawaska-Restigouche, and over 7,800 in the Moncton region, or *nearly 19,000* affected workers in these two regions alone.

Figure 23 provides the assessment of these impacts in financial terms (i.e. lost income), also derived from calculations based on the special Statistics Canada tabulations.

Figure 23

Impact of Proposed Changes in Qualifying Weeks Estimated Financial Loss in New Brunswick By Economic Region

Region	$ Loss (000's)	% Loss
Fredericton	$ 5,880	- 11 %
Saint John	$ 11,020	- 15 %
Moncton	$ 53,690	- 40 %
Madawaska/ Restigouche	$ 77,065	- 28 %
Provincial Totals	*$ 147 million*	- 27 %

The total estimated loss is *nearly $150 million.* Of this total, *over half* ($77 million) would be lost in the Madawaska - Restigouche region, and *over a third* ($54 million) in the Moncton region. In terms of proportionate losses *within regions*, however, Moncton would be hardest hit, with an estimated *reduction of 40%* of its UI benefits under the existing regulations. As may be appreciated, these are very substantial losses indeed, amounting to a *27% reduction* in total UI funding provincially from this change alone.

In sharp contrast to these projections, the federal EIC analysis has estimated that *only 3,000 workers* would be affected by the proposed increases in qualifying weeks in New Brunswick. (Indeed, their analysts project that only 30,000 workers would be affected *for all of Canada.*) As for income losses, their projection is equally modest: a total loss of *only $22 million* provincially, or approximately 15% of the losses estimated above.

The federal analysts, however, offer no clear explanation of precisely how these projections were arrived at. Whatever, there can be no doubt that the fundamental discrepancies here can be principally attributed to the different assumptions made concerning the ability of workers to secure the additional qualifying weeks required under the new regulations. Given the points discussed earlier in this chapter on this subject, and the patterns of claims in New Brunswick, we find the federal estimates unacceptable.

Moreover, according to a very recent report released by the Canadian Labour Congress and received by the consultants just prior to the completion of this study, the estimates arrived at here are more conservative than those arrived at by the CLC (using the same database).Their report (*The Impact of the Proposed Changes to Unemployment Insurance: Bill C-21*, January, 1990) estimates some 23,960 "persons affected" in New Brunswick by the changes in qualifying weeks, or an 8% greater impact than that estimated in this chapter (21,990). (See also **Appendix C.**)

Chapter Four

Analysis of Changes in the Duration of Benefits

As noted in the *Introduction*, the second major change in the proposed UI regulations is the elimination of a three-phase structure to calculate the maximum amount of weeks a claimant is eligible to receive benefits. This existing method calculates benefits on the basis of the following three phases:

1. *Initial Benefit Phase:* Where a claimant can receive one week of benefits for each insurable week up to a maximum of 25 weeks.

2. *Labour Force Extended Phase:* Where a claimant can receive additional benefits up to a maximum of 13 weeks provided their labour force attachment was over 26 weeks.

3. *Regionally Extended Phase:* Where a claimant can receive additional benefits for every .5% that the regional unemployment rate exceeds 4% up to a maximum of 32 weeks.

Under the proposed legislation this *three-phase structure* would be "streamlined" into *a one phase structure*. The one phase structure has pre-determined weeks of eligibility according to weeks worked and the unemployment rate by economic region.

Appendix A to this document provides a table of the proposed benefit structure prepared by the federal EIC, which details the distribution of the reduced duration periods. We would also refer the reader back to the table presented in the *Introduction* concerning *net losses* of benefit weeks that would apply to New Brunswick's range of unemployment rates under the proposed regulations (**Figure 3**, Page 10). Prior to analyzing these impacts, certain points should be made concerning the assumptions made here.

Assumptions of the Analysis

As was the case with the analysis of qualifying weeks, assumptions concerning the ability of workers to secure additional work weeks *to access benefits in the first place* are of equal importance to the analysis of the impact of changes in the duration of benefits. In this case, however, our continuing conviction that it is not reasonable to assume that workers in New Brunswick will be able to find these extra weeks of work has resulted in a *much more conservative estimate* of the impact of reductions in the durations of benefits than that projected in the federal analysis.

The reason for this is fairly simple: because the federal analysts have assumed that the vast majority of New Brunswick's workers will find the extra work weeks to enter the program, they have therefore ended up with *a much larger number of people projected to be receiving claims*. Because, in turn, virtually all claimants would be affected by reductions in benefit weeks, their estimates of total weeks lost have had to include these inflated numbers (in our view) of workers receiving benefits.

In contrast, our assumptions have led to projections that a very substantial number of workers provincially will be prevented from entering the program in the first place. Consequently, we have projected a much smaller number of people receiving benefits and therefore a much smaller number of total weeks lost because of reductions in the number of weeks they can remain on claim.

Nonetheless, as will be seen, even these projections involve fairly substantial financial losses provincially, though they are nowhere near the scale of the estimates of losses projected for changes in qualifying weeks.

There remains, however, a second problem with the federal analysis concerning the conclusions they reach about the impacts of proposed reductions in benefits. Briefly, their analysis focuses on "average" numbers of weeks on claim in New Brunswick (and elsewhere). This leads them to conclude (essentially) that the "average claimant" does not really use all the weeks of benefits he or she is entitled to (according to past trends).

So it is argued that the proposed reductions in benefit weeks will not result in any significant losses of benefits, because these weeks are not being claimed anyway. (**Appendix B** provides a more detailed critique of this approach.)

The problem with this analysis is that *there is no such thing as an "average" claimant*. Rather, there are *distinct classes* of claimants, and while certain classes do not exhaust their claims or in other instances, do not even use most of their eligible weeks, there remain other major classes of claimants who *do* exhaust their claims or use most of the weeks they are entitled to. The latter will be directly affected by the proposed changes and will lose weeks of benefits. To "average" these categories of claimants with other categories of claimants, therefore, is misleading, to say the least.

The section following provides an overview of patterns of claims in New Brunswick and its economic regions as a frame of reference for the subsequent analysis of projected impacts.

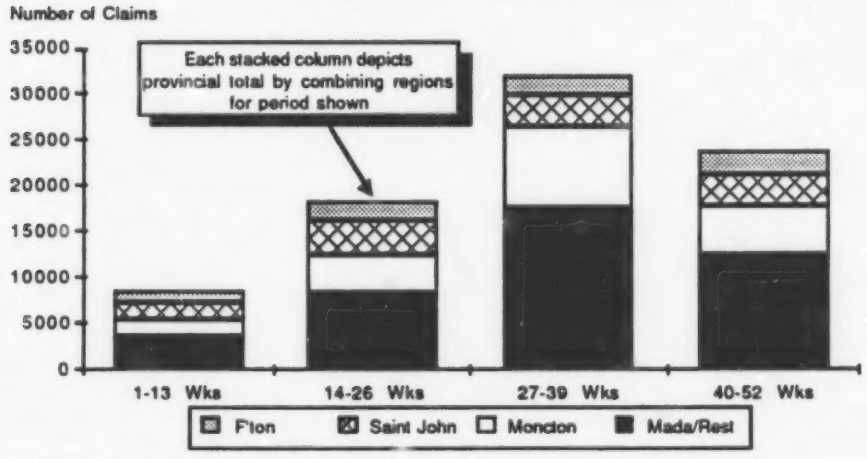
Patterns of Duration of Claims

The data for this section were derived from special runs on the province's regions accessed from the UI administrative records in Moncton. The consultants, in this instance, were unable to utilize data from other sources to get the desired breakdowns of benefit duration intervals. So the ranges of weeks analyzed here (e.g. 1-13 weeks, 14-26 weeks, etc.) were all that could be used to portray the distributions in the figures that follow. More detailed breakdowns would have been preferred.

Figure 24 depicts the distribution of weeks on claim for New Brunswick and its regions in 1988. The very high proportions of claims in the categories of 27-39 weeks and 40-52 weeks should be noted, because they reveal that the great majority of claims are for relatively long periods. (They further illustrate the problems of "averages" discussed above.)

Figure 24

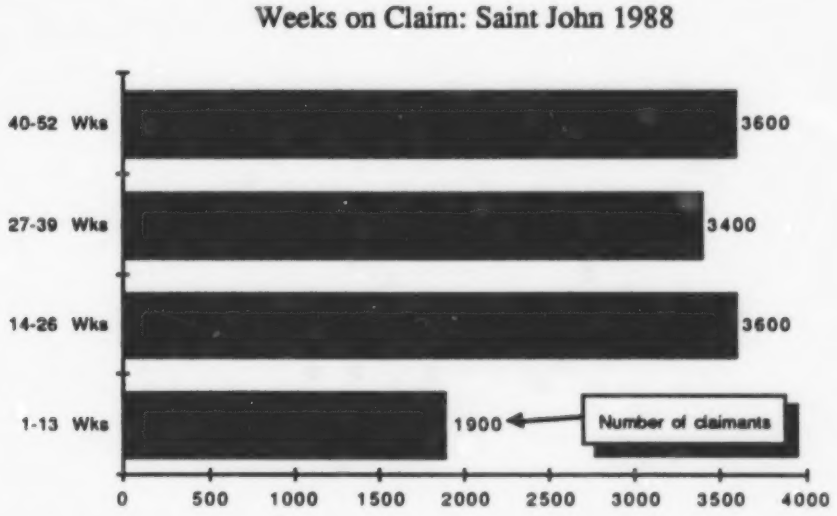
Weeks on Claim in New Brunswick 1988
UI Regions & Provincial Totals



Prepared by GMI from UI Administrative Data

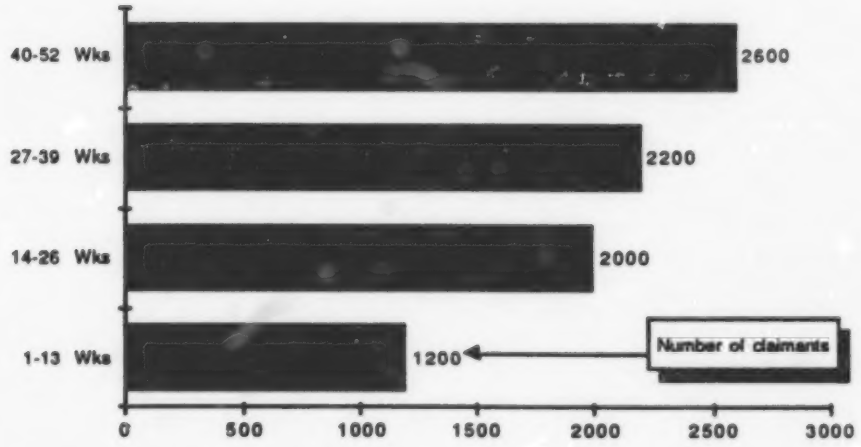
Figures 25 to 28 on the following pages are perhaps more revealing and indicate the significant variations in claim patterns between the province's four regions. While these will be analyzed in greater detail shortly, certain general points can be made here. The Saint John and Fredericton patterns (although not identical) show a much more even distribution of claims between the top three intervals (14-26, 27-39 and 40-52 weeks) than do the patterns for Moncton and Madawaska - Restigouche.

Figure 25



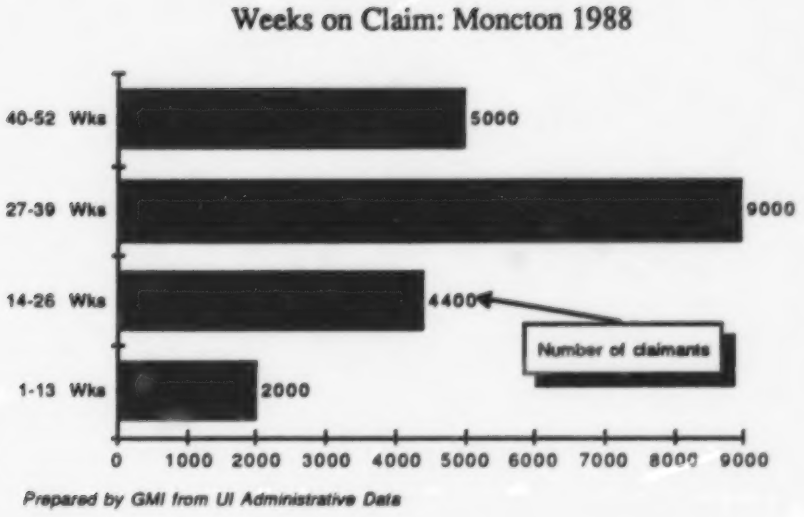
Prepared by GMI from UI Administrative Data

Figure 26



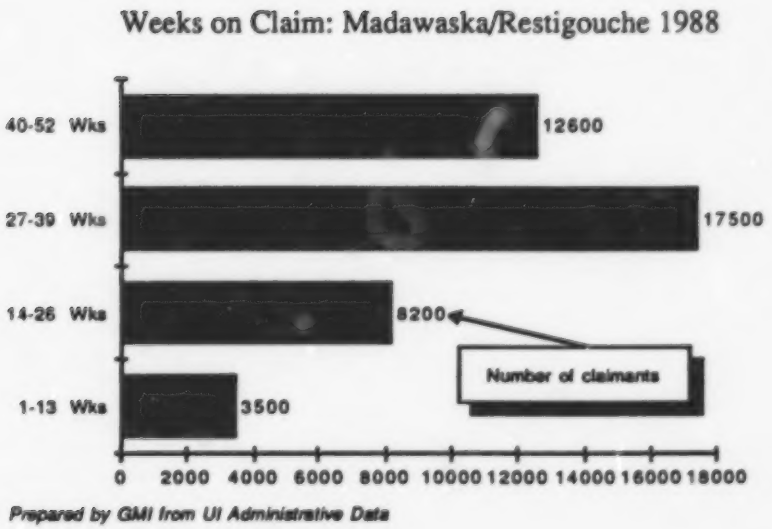
Prepared by GMI from UI Administrative Data

Figure 27



Prepared by GMI from UI Administrative Data

Figure 28



Prepared by GMI from UI Administrative Data

The latter two regions show more erratic (or skewed) patterns, particularly in terms of the heavy concentration of benefit durations in the 27-39 week range. As far as we can determine, this is primarily a result of seasonal work patterns, and the existing 10-week entrance requirement, which allows workers in these regions to access up to 42 weeks of benefits. But the scheduling of seasonal operations in certain industries (notably, fishing and fish processing) is often such that workers must return to work even if they have not exhausted their benefits (in which instances they typically leave their claim "open" in order to draw on it later when required).

At the same time, however, very few of these workers are able to achieve weeks of work beyond the 10-week minimum, so that 42 weeks of benefits is the upper limit of benefit entitlement for most. Consequently, this results in a relatively lower proportion of claims in the 40-52 week range depicted in the graphs for these regions.

Whatever, all regions show very significant concentrations of claims in the 27 to 52 week period (or the top two ranges indicated). In other words, there is little evidence of minor claim use generally, particularly in the 1-13 week range.

Given these patterns, attention can now be devoted to the analysis of projected impacts of proposed changes in benefit durations.

Analysis of Impacts

The process used in calculating the lost number of benefit weeks projected by this study was arrived at through using a lengthy configuration and applying it to data from Statistics Canada Special Tabulations on Unemployment Insurance. Essentially the process matched the numbers of persons on claim for 1988 with the projected number of claims affected for 1990, thereby breaking out the projected number of overall benefit weeks lost by each region.

All of the province's economic regions will be affected by reductions in the maximum duration of benefits. Claimants who require benefits for longer periods of time and those who reside in regions with lower unemployment levels will experience the largest portion of these reductions. For example, claimants residing in economic regions with unemployment rates between 11-12% or less and who have worked between 14 - 18 weeks, will lose 13 weeks from their maximum benefit duration.

This scenerio would be true for the Saint John, Moncton and Fredericton regions because their unemployment rates have averaged between 10-12%. Similarly, claimants from the hardest hit region of Madawaska-Restigouche will also feel the impact of the reductions in durations of benefits. For example, claimants in this region who work between 11 and 18 weeks will experience a loss of 7 weeks from their maximum duration period.

Claimants who will be least affected by changes to the reductions in benefits will be those who have worked for longer periods. Still, significant reductions will occur. So, for example, 30 weeks of work in an area with an unemployment rate between 11 - 12 % will result in a loss of three weeks. However, the problem in New Brunswick is that only 30% of all claimants worked over 30 weeks prior to claiming benefits. Thus, *the remaining 70% of claimants will pay the major price for these reduction changes.*

The federal EIC study predicts that 29,000 people will be affected by this change; however, the Canadian Labour Congress report suggests that 10,420 will be affected. Through analysis of the Statistics Canada Special tabulation and other data, this study projects that approximately 8,000 people will be affected . Once again the major difference between the federal projection of 29,000 and that of this study is largely due to the assumption by the federal analysts that most people will find the necessary weeks to qualify for benefits, as noted earlier.

Neither the federal study nor the C.L.C. study have translated the numbers of people affected into lost weeks of benefit. This study has attempted to calculate these estimates and has concluded that *approximately 83,095 weeks of maximum benefits will be lost at a total income loss of approximately $16.6 million.*

Figure 29

Reduction to Duration of Benefits
Weeks and Dollar Loss
By Economic Region

Region	Number of Persons Affected	Benefit Week Loss	Income Loss (Dollars - 000's)
Fredericton	1,105	11,493	1,996
Saint John	1,416	16,115	2,987
Moncton	2,113	24,148	5,043
Madawaska/ Restigouche	3,080	31,339	6,581
Provincial Totals	*7,714*	*83,095*	*$16.6 million*

The sections following provide more detailed analyses of impacts of changes in durations of benefits for each UI region.

Saint John Region: The unemployment rate in the Saint John economic region has shown a steady decline from 1985 (when unemployment reached 16%) to 1988, when the rate dropped to between 11 - 12%. As noted earlier Saint John's share of UI claims in New Brunswick is approximately 15%.

Statistics Canada figures for 1988 show that 15,344 claimants terminated their claims during that year. As a result of the reductions to benefit durations, it is estimated that 1,416 claimants will be affected by this change through loss of maximum benefit weeks. This change will have the greatest impact on those who have worked between 10 and 21 weeks, which represents 33% of those on claim. It is this group who will be hardest hit by the reduction in duration of benefits, and it is predicted that their losses will range between 10 and 13 weeks. The loss of maximum weeks per claimant will be within the range of 1-13 weeks provided the unemployment rate remains within the area of 11 - 12%. The overall net loss of benefit weeks for this region is predicted to be *16,115 weeks* with a gross income loss of *$3 million*.

Fredericton Region: The unemployment rate has fluctuated between 10%and 13% since 1985. During 1988, the study's baseline year, the unemployment rate remained between 11-12%. It is recorded that 11,335 unemployment insurance claims terminated during that year, representing approximately 12% of all terminated claims in the province for the same time period. The work force in this region is fairly stable. For example, of the 11,335 terminated claims, over 70% worked at least 20 to 52 weeks and over. This represents substantially more weeks of work than required in order to qualify for benefits, thereby illustrating the comparative stability and strength of the region's labour market.

It is estimated that 1,105 claimants representing 10% of terminated claims will be affected by reductions in durations of benefits in this region. It is further predicted that claimants in the Fredericton region would suffer a loss ranging between 1-13 weeks from their maximum benefit period. The net loss in benefit weeks is predicted to be *11,493* or an income loss of approximately *$2 million*. Those residing in surrounding rural areas where job opportunities are far less accessible are most likely to be affected.

Moncton Region: The Moncton region's unemployment rate for the baseline year remained between 11 - 12%, two points lower than the levels for 1985-1987. Traditionally, the Moncton region has been second to Madawaska-Restigouche in terms of high unemployment rates.

The number of claims terminated for 1988 was 23,508 representing approximately 24% of all terminated claims in the province. A large portion of claims extended into the 27 - 39 week duration period. Thirty percent of the claimants from the Moncton region worked between 10 - 19 weeks, thereby reflecting the region's relative dependency on seasonal work.

It is estimated that approximately 2113 claimants would lose weeks of benefits due to the changes in duration periods. This would result in a loss ranging between 1-13 weeks. The total net loss of maximum benefit weeks is projected to be within the vicinity of *24,148 benefit weeks*, or an income loss of approximately *$5 million*. This is the second largest loss next to the Madawaska - Restigouche region, and it is expected to have more impact on claimants who have worked between 14 - 20 weeks, that is, seasonal workers, for the most part from the regions southeastern coastal communities.

Madawaska-Restigouche Region: Historically this region has experienced the highest levels of unemployment in New Brunswick.

In 1988 the unemployment rate in Madawaska - Restigouche fluctuated between 14 and 15%. Fully 73% of claims from this region drew between 27 - 52 weeks of benefits. The length of these claims clearly indicates the lack of alternative job opportunities, thus the need to draw longer durations of benefits in this region. It is estimated that approximately 3,100 workers would experience a reduction in duration of benefits if the new legislation was applied to the 1988 figures. Provided that the unemployment rate remains between 14 - 15% within the region, claimants will have to work at least 11 weeks in order to qualify for only 36 weeks of benefits, a net reduction of 7 weeks of benefits. This study's estimated amount of lost benefit weeks is *31,339* resulting in an income loss of approximately $6.5 million.

Clearly from the information above it is evident that this region is heavily dependent upon UI benefits for personal income support. Nevertheless, the proposed changes to the duration of benefits will reduce the maximum allowable weeks of benefit.

Summary of Estimated Impacts

While, as noted earlier, the estimated impacts of changes in benefit durations are nowhere near the scale of those estimated for changes in qualifying weeks, they remain substantial. Indeed, according to the recent the Canadian Labour Congress report referred to in the previous chapter (page 28), the estimates concerning benefit durations arrived at by our calculations of the same database are in this case far more conservative than those arrived at by the CLC. Their report (*The Impact of the Proposed Changes to UI*, January, 1990) estimates some 10,240 "persons affected" in New Brunswick by this proposed change, or a *35% higher total* than that arrived at here (7,714). (See also **Appendix C.**)

Whatever, when one adds the financial estimates of income loss for this proposed change as calculated here (i.e. $16.6 million) to that calculated in Chapter Three for the proposed changes in qualifying weeks ($147 million), the total projected loss would be in excess of *$166 million* over a one-year period, affecting in combination nearly *30,000 workers*, or roughly one-third of regular claimants.

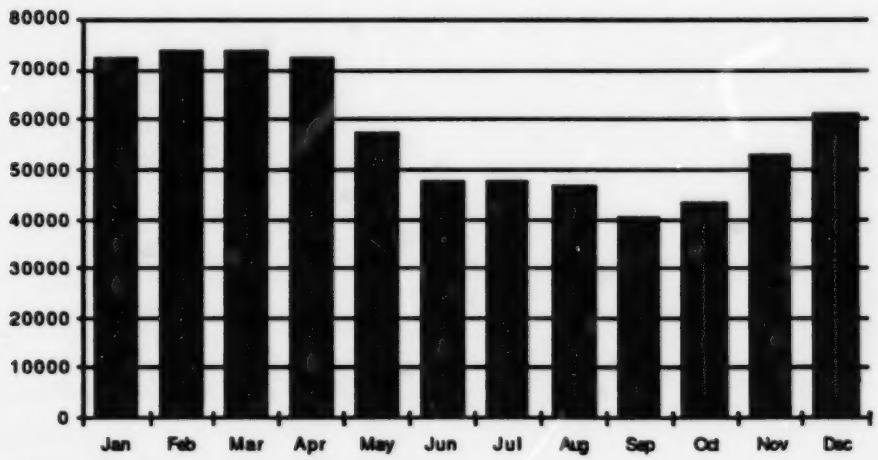
Chapter Five

Impacts on Seasonal Industries

As noted throughout the report workers in seasonal industries are paticularly dependent on UI income support. **Figure 30** illustrates the pattern of claims on a monthly basis for New Brunswick in 1988. The sharp decline in beneficiaries commencing in May and June marks the beginning of seasonal work for most sectors, including construction, fishing, fish processing, forestry, agriculture and tourism.

Figure 30

Beneficiaries Receiving UI Monthly
New Brunswick 1988



Prepared by GMI from Statistics Canada 73-202S

The claims continue to drop between August and September, and subsequently rise sharply from October through December, the onset of winter. Returning to the beginning of the graph, claims are shown to remain very high throughout the winter months, peaking in February and March until the gradual decline leading back to spring. The picture, therefore, is clear indeed.

For the purposes of this study, detailed UI administrative data were accessed for five occupational groups: construction, fish processing, forestry, fishing and agriculture. The categories were approximate, but remained the best available for measuring seasonal work. (No specific

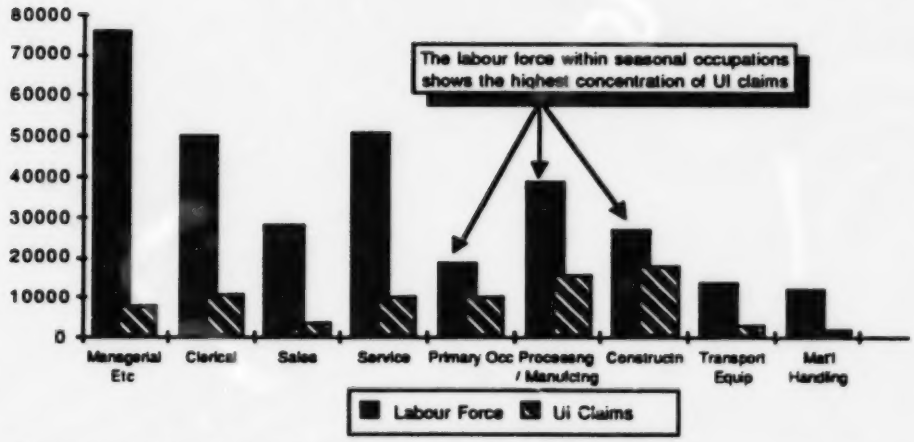
data are available for tourism.)

UI Claims by Seasonal Occupations

Figure 31 shows the N. B. labour force in 1988 by occupational group as compared to the UI claims of that year for the same occupational groups. While primary occupations (agriculture, forestry, fishing and mining), processing and construction represented 27% of the labour force, *more than 40% of the UI claims* were based upon employment in these major occupational groups.

Figure 31

Provincial Labour Force and UI Claims
by Major Occupational Group
New Brunswick 1988



Prepared by GMI from Statistics Canada 71-529 and UI Administrative Data

For all three occupational groups, *more than 40%* of the labour force, in turn, drew UI benefits. Construction had the greatest dependency, with *two-thirds of the construction labour force* drawing UI benefits in 1988.

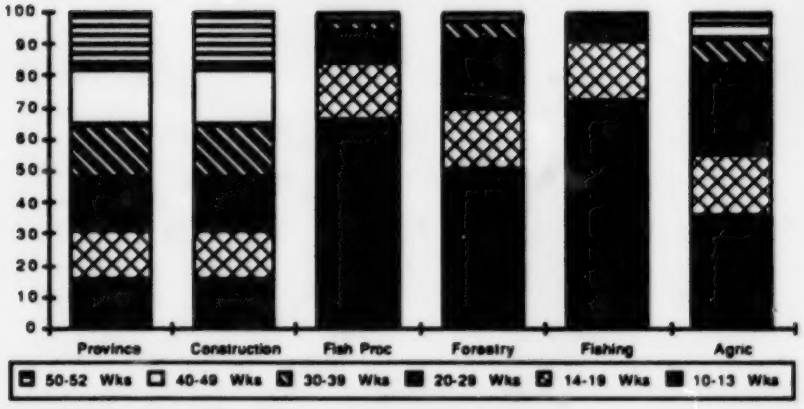
These five seasonal occupations accounted for more than *35,000 of the UI claims in 1988* . Construction had the largest number of claims (18,000) of ANY occupational group. Agriculture was the smallest of these five occupational groups with 1600 claims.

Qualifying Weeks

Apart from construction, which exactly parallels provincial claims, seasonal occupational groups have a higher proportion of claims based upon 10-13 weeks of work, as seen in **Figure 32** . This is particularly true for those drawing fishing benefits (which have their own special UI provisions) and those claims based upon employment in fish canning, curing & packing.

Figure 32

Weeks Worked to Qualify for UI
by Seasonal Occupational Groups
New Brunswick 1988

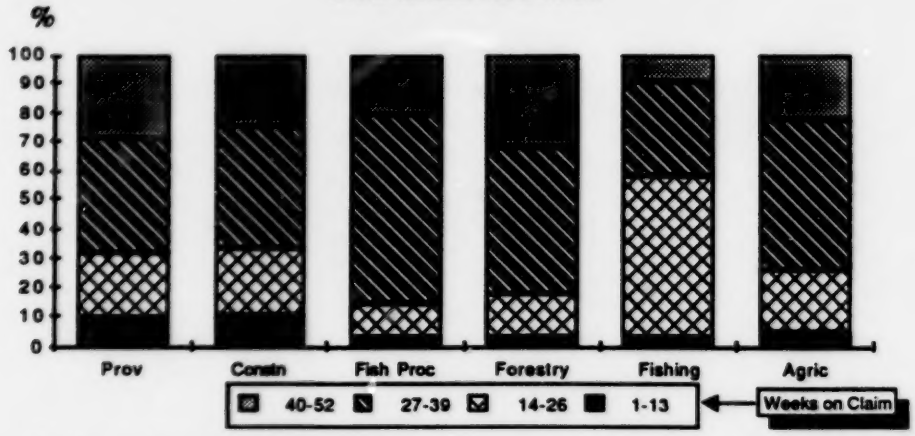


Prepared by GMI from UI Administrative Data

Weeks on Claim

Figure 33 (see following page) shows the distribution of claims by weeks on claim for the seasonal occupations, as compared to the provincial picture. Once again, construction was the most consistent with the provincial pattern. More than 60% of the claimants for fish canning, curing & packing were on claim for 27-39 weeks. Forestry had the highest proportion of its claimants drawing benefits for 40 weeks or more.

Figure 33



Prepared by GMI from UI Administrative Data

Gender

These five seasonal occupations capture *more than fifty percent of UI claims made by men* in 1988. However, with the notable exception of fish canning, curing & packing, female representation is low (less than 10%). In the case of fish processing, *two-thirds of the 8060 claims were made by women.* Other occupational groups with heavy representation by women were clerical and service. Presumably, women who worked in the tourism industry would be found within these occupational groups.

Seasonal Patterns by Region

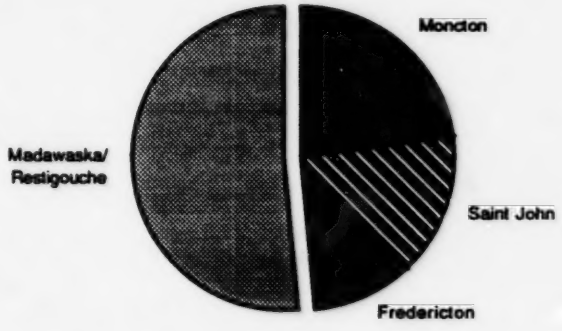
As seen in **Figures 34 through 38**, the overall regional patterns of usage of the UI program hold true for the seasonal occupations as well. Madawaska-Restigouche has the largest share of claims in the seasonal occupations, while the Fredericton region has the smallest.

Within each seasonal industry, patterns of usage vary from region to region, mirroring the patterns discussed in Chapter Two. For instance, for fish canning, curing & packing, the majority of claims are made in the Madawaska-Restigouche and Moncton regions. Furthermore, claims are based upon a shorter work attachment and benefits are drawn for a longer period of time than in the Saint John region.

Even in the case of construction, while the average number of weeks of work for opening a claim show a longer work attachment (22 weeks of work), again, the Madawaska/Restigouche and Moncton regions have the *greatest proportion of claimants with fewer than 14 weeks of work.*

Distribution of Seasonal UI Claims in Construction
New Brunswick 1988

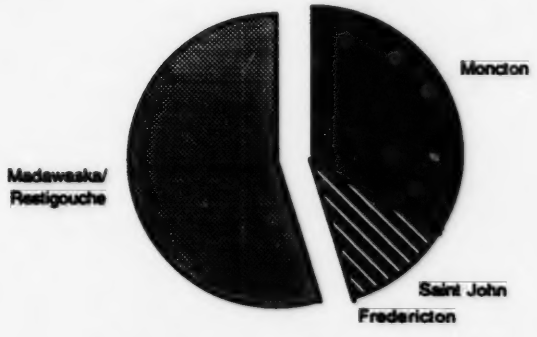
Figure 34



Prepared by GMI from UI Administrative Data

Distribution of Seasonal UI Claims in Fish Processing
New Brunswick 1988

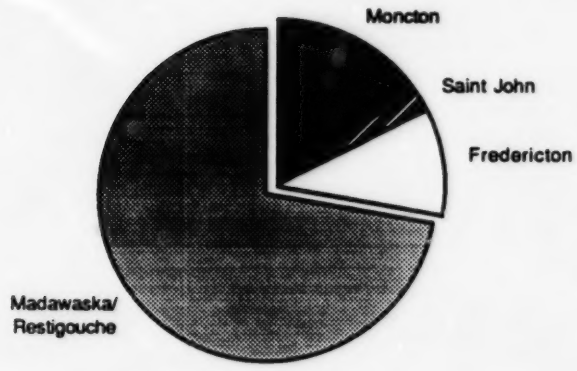
Figure 35



Prepared by GMI from UI Administrative Data

Distribution of Seasonal UI Claims in Forestry
New Brunswick 1988

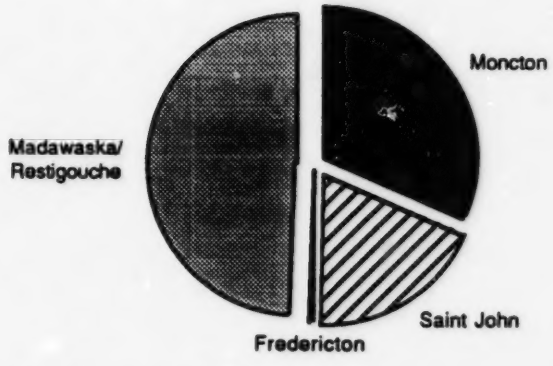
Figure 36



Prepared by GMI from UI Administrative Data

Distribution of Seasonal UI Claims in Fishing
New Brunswick 1988

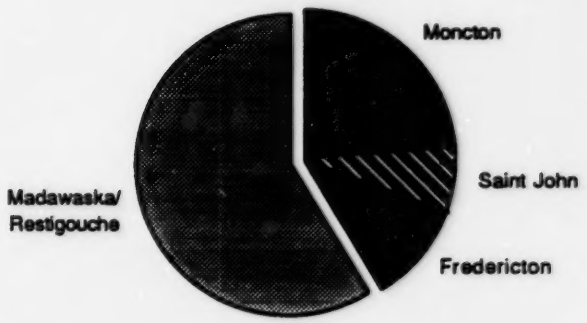
Figure 37



Prepared by GMI from UI Administrative Data

Distribution of Seasonal UI Claims in Agriculture
New Brunswick 1988

Figure 38



Prepared by GMI from UI Administrative Data

Impacts

As the above analyses should indicate, seasonal workers occupy a major role in UI provincially. Moreover, it should be emphasized once again that their dependency on income benefits under the program *is largely determined by the operating demands of these sectors for scheduled sources of available labour*. Put another way, the start-up or shut-down of seasonal operations is not determined by UI claimants.

The impact of the proposed UI changes on workers in these industries, therefore, would be quite substantial, because they are extremely vulnerable to changes in qualifying weeks, as well as the duration of benefits. The consultants were asked to project the probable timing of the impact of the proposed regulations on seasonal workers if the changes went into effect in 1990. The seasonal pattern of UI claims was illustrated previously in **Figure 30** (page 38). This pattern was compared with previous years and no significant variations were noted. It would be extremely unlikely, therefore, that any significant impact of the changes would occur as a result of new claimants from these industries entering the program before the late summer or early fall of this year.

While seasonal work patterns between sectors (e.g. construction versus fish processing) vary considerably, there can be no doubt that, based on past trends, the combined impact of the changes on most of these sectors will commence in September and October and *will increase dramatically* through the winter months until the January-February period. The impact will be two-fold, (1) cutting off large numbers of workers from accessing *any benefits* because they cannot qualify, and (2) for those who *do* qualify and normally use most or all of their benefit weeks, terminating their claims probably well before their previous end-dates -- in brief, as noted, a very substantial impact.

Chapter Six

Impact on Provincial Support Programs

Chapters Three and Four estimated the impact upon workers as a result of entrance requirements and reduced duration of benefits, including dollar losses. This chapter will examine those estimates in terms of their potential impact upon the province's employment development initiatives and social assistance caseloads.

Employment Development Programming

As previously discussed, the unemployment rate in the economic region where a person resides determines the number of weeks of work required in order to draw UI benefits. Under the proposed legislation, an additional 45,500 weeks of work would be needed in order for all the impacted individuals (21,990) to obtain sufficient weeks of work. By regions it looks like this:

Figure 39

Additional Qualifying Weeks By Economic Region

Region	Unemployment Rate	Extra Weeks Needed	Total Weeks Needed
Fredericton	11% - 12%	4	3,200
Saint John	11% - 12%	4	5,508
Moncton	11% - 12%	4	25,670
Madawaska/ Restigouche	14% - 15%	1	11,080
Provincial Total			*45,458*

GMI

Based upon the assumption that *none of these individuals will find the additional work without the intervention of the New Brunswick government* through employment development initiatives, the potential cost to the province would be an estimated *$9.1 million*. (This estimate is based upon a 40 hour work week at a rate of $5 per hour).

Even in the best situation, that is, where provincial government intervention is successful in providing the extra weeks of work in order to qualify, there would still be a loss borne by claimants because of the overall reductions to the durations of benefits. Furthermore, it would be very difficult for employment development programming to respond to the loss of these weeks primarily because of the scattered range of timing when individuals are coming off claims.

Social Assistance Programming

In the absence of employment development programming, a substantial burden would be placed upon New Brunswick's social assistance program. The program could potentially be impacted upon in two ways: by individuals who fail to get the required weeks of work (21,990) and by individuals who draw UI benefits for a shorter period of time (7700). Unfortunately it is difficult, if not impossible, to calculate the impact because the UI program operates *at the individual level* whereas social assistance is administered to *households*.

Currently the monthly payout for welfare in New Brunswick is approximately $18 million for 35,000 - 36,000 households. There are three different program categories which reflect the varying needs of clients: long - term established needs, upgrading / training and placement, and interim needs. The rate schedule is dependent upon program and household size. The upgrading / training and placement program is geared toward people with the greatest potential of returning to the labour force without requiring intensive or long term assistance. The monthly subsidy per household for a two person unit is $648 with $26 for each additional individual over two people.

The interim program primarily serves a short-term function designed for highly employable people (generally speaking, a one or two person unit, with a household head less than 40 years of age, without dependents). The monthly subsidy per household for a two person unit is $447 with $18 for every additional person.

Presumably people who fail to access the UI program or those who terminate their claim a number of weeks earlier would be categorized in either the upgrading / training and placement program or the interim program.

The impact is therefore double-edged, with the cost to the province being an increased caseload for an undetermined length of time (50% cost shared with the federal government), and to the individual, typically a substantial reduction in income support. For example, in certain regions, often both a husband and wife draw UI benefits. However, under the social assistance program they would be treated *as a single household* receiving one cheque for a considerably lower amount of money. A two person unit with two children in the upgrading / training and placement program would only be eligible for $700 per month on social assistance while two unemployment insurance claims based on an average payout per week in 1988 of $200 would equal approximately $1720.

In other words, even if the province did cover the $700 per month (which would be considered an additional cost) there would still be a net loss to the household of approximately $1000 per month. For a couple who both earned the minimum wage and claimed UI, the gross claim would be over $900 a month, which still exceeds the social assistance subsidy.

Unfortunately, there is no way that one could calculate the scale of these shifts in dependency provincially in the absence of much more detailed information on the characteristics of UI recipients provincially and regionally. What can be assumed at the very least, however, is that the impact would be substantial and the levels of assistance less adequate.

Chapter Seven

Implications of Boundary Line Changes to Provincial UI Regions

Preface Note

On August 7, 1989 the Minister of State for Employment and Immigration announced the results of a review of the *boundary line changes to existing economic regions* which are used in determining the entrance requirements, as well as the duration of benefits under the Unemployment Insurance Program. (The accompanying maps, shown on the following page, illustrate these changes.) The changes were to become effective January 1, 1990 in order to coincide with UI amendments proposed under Bill C-21 and the new *Labour Force Development Stategy*. However, as of the date of this writing, Bill C-21 has not received Senate approval, consequently delaying the implementation of the proposed changes to the new economic regional boundaries.

At the time of the commissioning of this report, the consultants were requested to investigate the possibility of analyzing the implications of these new boundary changes. The request was eventually accepted as a task under the approach, rather than under the study's objectives. We were unable to determine any way in which the impact of these changes could be projected in the absence of specific unemployment rates for these regions. The only possible way of determining these rates, in turn, would require a special run of historical data from adjusted previous surveys of Statistics Canada, which was far beyond the time-frame, budget and scope of this study.

The acquisition of these new unemployment rates, therefore, was considered absolutely necessary in order to make any reliable projections or comparisons of the boundary line changes. As it turns out, Employment and Immigration Canada had apparently assumed that these new boundaries *would be* in effect as of January 1, and therefore requested Statistics Canada to provide them with the unemployment rates for these new regions, effective that month. Statistics Canada, therefore, calculated the rates of these new regions across Canada in January.

Existing UI Economic Regions (Figure 1)

Proposed UI Economic Regions (Figure 4)

GMI

Unfortunately, these figures were not made available to the consultants until February 9, 1990, i.e. just three days prior to the date of the final submission of the report. This chapter has therefore been revised under very short notice in order to include these recent data obtained from Statistics Canada.

Figure 41 gives the results of the Statistics Canada survey for New Brunswick, i.e. unemployment rates for its four newly demarcated regions as of January 15, 1990. Based on these rates, the respective qualifying weeks for UI that could be required under the *proposed regulations* are also provided.

Figure 41

January, 1990
Unemployment Rates and Qualifying Weeks for Proposed Regions

Proposed Region	Unemployment Rate	Qualifying Weeks
Fredericton	11.2 %	14
Saint John	9.2 %	16
Moncton	10.2 %	15
Restigouche-Charlotte	17.2 %	10

If the legislation had been in place in January 1990, therefore, workers living in the newly-designated "Restigouche-Charlotte" region would have needed only 10 weeks of work to qualify, while those living in the Moncton or Saint John regions would have required fully 15 to 16 weeks of work. These particular changes in rates *would be very critical for the southeastern coastal communities of the province*, which rely heavily on seasonal opportunities but are still affected by the Moncton urban area under the new boundaries.

The consultants also learned that Employment and Immigration Canada had previously requested Statistics Canada to reanalyze former labour force survey data (over the past five years), and to calculate *what the unemployment rates would have been for these proposed regions* during these years. **Figure 42** (see following page) provides data on the results of their "backward projections" for the year 1988. Comparisons are offered of these projected rates with the unemployment rates of *existing regions* in that year.

Figure 42

1988
Average Unemployment Rates
under Existing and Proposed UI Regions

Existing Regions	Unemployment Rate	*Proposed* Regions	Unemployment Rate
Madawaska-Restigouche	14.5 %	Restigouche-Charlotte	15.6 %
Saint John	11.6 %	Saint John	11.0 %
Fredericton	11.4 %	Fredericton	10.7 %
Moncton	11.9 %	Moncton	9.9 %

The figures indicate that the unemployment rates for the urban centers would have dropped somewhat, with an increase in the rate for the rural region of Restigouche-Charlotte. Once again, the Moncton region shows the most critical impact. While these data deserve more detailed investigation, this was not possible within the time constraints involved here, as noted earlier.

Chapter Eight

Conclusion

As the findings of this study clearly indicate, the role of UI in New Brunswick is considerable indeed. Moreover, the estimates given of the potential impact of the proposed changes in UI legislation are equally considerable, and even if these projections were reduced to a more conservative level, the impact would remain very substantial -- particularly in the province's more economically depressed regions and communities.

These proposed cutbacks in the UI system, therefore, hold potentially serious implications for New Brunswick. While the provincial economy has strengthened considerably since the recession, New Brunswick's unemployment rate has remained, on average, the second or third highest in Canada. In December, 1989, for example, the provincial rate stood at 13.3%, in contrast to only 7.7% nationally. Moreover, the consensus of economic analysts is that further increases in unemployment may be expected in the coming year, particularly in Atlantic Canada. The current crisis in the Atlantic fishery alone would lend support to such a projection.

The proposed cutbacks in UI benefits should also be viewed in the context of the overall and unwavering commitment of the federal government to its deficit reduction policies. Thus far in New Brunswick these have included significant reductions in the federal share of economic development programming, and recent reports suggest that federal-provincial transfer payments will be the target of cutbacks or freezes in the next federal budget.

Finally, in terms of the future of the UI program, a recent Newfoundland study claims:

> Indications are that the proposed reform is only a portion of a larger package with additional amendments to be expected in the future... (*An Analysis of Economic Impacts of Proposed Changes to the UI Program on Newfoundland and Labrador*, September, 1989)

And while the present study was unable to deal with the extensions of benefits to certain categories of workers under Bill C-21 (because of the work's restricted time-frame) we strongly doubt that these would offset the proposed cutbacks in any significant manner. For example, the proposed increases in maternity benefits, while a very positive provision, still require 20 weeks of insured work to access, which would exclude most women in seasonal occupations as well as many others in New Brunswick.

Moreover, the study also did not address cutbacks from penalties on "voluntary quitters without just cause", which even the federal EIC analysis estimates will cost New Brunswick another *$13 million* of lost benefits. As for employment development programs of the *Labour Force Development Strategy*, no information is yet available on projected contributions to the provinces, although we would be surprised if these programs remained incremental to *Canadian Jobs Strategy* program funding over the long term in light of overall federal budgetary cutbacks.

Whatever, as emphasized throughout this report, we believe that the negative provisions of Bill C-21 have not adequately taken into account the particular conditions and needs of New Brunswick's labour force and economy. Naturally, we hope that this study will contribute to more positive adjustments to the process of UI reform which will fully address these conditions and needs.

Bibliography

Employment and Immigration Canada. *"Success in the Works: A Labour Force Development Strategy for Canada. Analysis of Structural Changes to the UI Program."* August, 1989.

Employment and Immigration Canada. *"Success in the Works: A Policy Paper"* August, 1989.

Employment and Immigration Canada. *"Success in the Works: A Profile of Canada's Emerging Work Force "* August, 1989.

Government of Newfoundland and Labrador. *"An Analysis of the Economic Impacts of Proposed Changes to the Unemployment Insurance Program"*. September, 1989.

Employment and Immigration Canada. *"Report on the Comprehensive Review of Unemployment Insurance Regions"*. November, 1989.

Canadian Labour Congress. *"The Impact of the Proposed Changes to Unemployment Insurance "*. January, 1990.

Statistics Canada. *"Provincial Economic Accounts."* Catalogue 13-213 and 13-213S

Statistics Canada. *"Unemployment Insurance Statistics Catalogue"* 73-202S

Statistics Canada. *"Labour Force Annual Averages"*. Catalogue 71-529

Province of New Brunswick. *"Public Accounts"*, 1988 - 89

Appendix A

Proposed Amendment to UI Benefit Schedule

Number of Weeks Claimant Can Receive Benefits

• Unemployment Rate in Claimant's Region •

• Weeks of Work •	6% and under	over 6% to 7%	over 7% to 8%	over 8% to 9%	over 9% to 10%	over 10% to 11%	over 11% to 12%	over 12% to 13%	over 13% to 14%	over 14% to 15%	over 15% to 16%	over 16%
10											37	39
11										36	38	40
12									35	37	39	41
13								34	36	38	40	42
14							33	35	37	39	41	43
15						30	34	36	38	40	42	44
16					27	31	35	37	39	41	43	45
17				24	28	32	36	38	40	42	44	46
18			21	25	29	33	37	39	41	43	45	47
19		19	22	26	30	34	38	40	42	44	46	48
20	17	20	23	27	31	35	39	41	43	45	47	49
21	18	21	24	28	32	36	40	42	44	46	48	50
22	19	22	25	29	33	37	41	43	45	47	49	
23	20	23	26	30	34	38	42	44	46	48	50	
24	21	24	27	31	35	39	43	45	47	49		
25	22	25	28	32	36	40	44	46	48	50		
26	22	25	28	32	36	40	44	46	48			
27	23	26	29	33	37	41	45	47	49			
28	23	26	29	33	37	41	45	47	49			
29	24	27	30	34	38	42	46	48	50			
30	24	27	30	34	38	42	46	48				
31	25	28	31	35	39	43	47	49				
32	25	28	31	35	39	43	47	49				
33	26	29	32	36	40	44	48	50				
34	26	29	32	36	40	44	48					
35	27	30	33	37	41	45	49					
36	27	30	33	37	41	45	49					
37	28	31	34	38	42	46	50					
38	28	31	34	38	42	46						
39	29	32	35	39	43	47						
40	29	32	35	39	43	47						
41	30	33	36	40	44	48						
42	30	33	36	40	44	48						
43	31	34	37	41	45	49						
44	31	34	37	41	45	49						
45	32	35	38	42	46	50						
46	32	35	38	42	46							
47	33	36	39	43	47							
48	33	36	39	43	47							
49	34	37	40	44	48							
50	34	37	40	44	48							
51	35	38	41	45	49							
52	35	38	41	45	49	50	50	50	50	50	50	50

Appendix B

Critique of Federal Analysis of Duration of Benefits

The federal analysis of the impact of changes in the duration of benefits is seriously flawed because of its focus on averages in comparing existing and projected uses of benefit periods. The study claims that the cutbacks in the duration of benefits will have little impact generally, because past patterns of claims show that "on average" the actual weeks of benefits that people claim have been much fewer than the potential maximum number of weeks to which they were entitled. So the study emphasizes at the outset:

> It is important to note that a large majority (75%) of UI beneficiaries do not use all benefits available to them. In addition, where the potential length of benefits will be reduced by these program changes, the average duration of benefits available will still exceed average actual usage by UI claimants, irrespective of the number of insured weeks. (p.5)

In the case of New Brunswick, the study points out that in 1987 all claimants collectively drew an "average" of only 27 weeks of benefits, even though they could have drawn (on average) up to 47 weeks. The figures presented further indicate that the new regulations will permit an "average potential entitlement" in 1990 of 45.3 weeks. Thus the authors conclude:

> Even after the reduction in benefit availability, claimants in New Brunswick will, on average, have access to about ten months of UI benefits. This is nearly 5 months more than the current average duration of benefits. (p.12)

Clearly, the suggestion here is that under the proposed regulations there will still be plenty of weeks to go around, i.e. this remains a generous system. Indeed, the focus on "averages" implies that the "average claimant" (whomever that term may refer to) is not really using all those benefit weeks under the existing system anyway. But, in reality, there is no such thing as an "average claimant" in the first place. *Rather, patterns of claims vary substantially between classes of claimants as well as economic regions, and this fact is of critical importance to any analysis of program changes.*

A simple example may serve to make this point. Let us say that five claimants (A,B,C,D and E) have worked in a region of high unemployment where they have managed to secure 10 weeks of seasonal work, which (in this case) would allow them to qualify for a maximum of 42 weeks of benefits under the existing regulations. They all open claims, but A only draws two weeks of benefits, because he has been able to relocate to a job in Ontario. Similarly, B draws only four weeks of benefits because she has won a scholarship to enter university. The remaining three (C, D and E), however, cannot secure such opportunities, and because of the lack of alternative jobs locally draw 40, 41 and 42 weeks, respectively, before they are able to return to seasonal work. The distribution of these claims, therefore, would appear as follows:

A 3 weeks
B 4 weeks
C 40 weeks
D 41 weeks
E 42 weeks

The "average duration" of these claims, therefore, would be the total of all their weeks on claim (130 weeks) divided by five, or 26 weeks.

Under the proposed program guidelines, however, workers in this region (with 10 insured weeks of work) would only be eligible for a maximum of 37 weeks of benefits, instead of the 42 weeks of benefits allowed under the existing regulations.

Obviously, this reduction would be of little consequence to cases like A and B. But for C, D and E they would now lose 3, 4 and 5 weeks of benefits, respectively.

In brief, the concept of the "average duration of benefits" (in this case, "27 weeks") would be of no assistance to them, nor to their local economy which would lose a total of 12 weeks of disposable income. Indeed, the only way that such a calculation could be meaningful would be if somehow they could share in the weeks of benefits that were not collected by A and B. Unfortunately, of course, this is impossible.

Lest this example be questioned in terms of actual patterns of claims in New Brunswick, UI administrative data indicate that for the economic regions of both Madawaska-Restigouche and Moncton, over 60% of total claims in 1988 were concentrated in durations of between 35 and 44 weeks. In contrast only 17% to 20% of claims fell into durations of 1 to 29 weeks, while only 5% were limited to between 1 and 14 weeks. Put another way, in Madawaska-Restigouche approximately 7,300 claims drew benefits of between 35 and 44 weeks, whereas only 2,000 drew benefits for between 1 and 29 weeks,and only 500 for between 1 and 14 weeks.

Hence, the implicit suggestion of the federal analysis that the new regulations still leave plenty of weeks of benefits to be drawn upon by the "average claimant" is misleading, to say the least. The UI program does not operate on the basis of "averages" nor is there any counterpart in reality to the concept of the "average claim". In contrast to their conclusion, therefore, there will be absolute and significant losses of income in these regions in the absence of access to alternative opportunities.

Appendix C

Notes on Sources of Data Used to Calculate UI Patterns, Trends and Impacts

As noted in the *Introduction* ("Study Approach", pages 3-4), various sources of data were used in the preparation of this study. This appendix is devoted to an explanation and comparison of those sources drawn upon to calculate Unemployment Insurance patterns, trends and impacts, so that the reader may understand the differences between the calculations made and the discrepancies between certain estimates and figures presented in the report.

It should be noted at the outset that just as the UI program itself is complex, so are the various data bases which offer information on the program. Certain points should be made here to orient the reader to this complexity: (1) there are several different categories of benefits, ranging from the dominant category of "regular benefits" to a variety of "special benefits" (including those for sickness, maternity, retirement, fishing, worksharing, etc.); (2) certain workers may access these benefits in combination or, in the case of "regular benefits" may open up more than one claim during the course of a year. As a result, the total number of "benefit claims" does not match the total number of "beneficiaries"; (3) there are a variety of categories used to classify claims beyond the types of benefits received (e.g. active claims, terminated claims, renewed claims, disqualfications, etc.), and different sources lump or split these categories in different ways; and (4) data on distributions of claims by qualifying weeks and durations of benefits are grouped differently from source to source, so that they are often not comparable or cannot be broken down further (e.g. 1-13 weeks).

Given the scope and compressed time frame of this study, it was not possible to address these complexities in any systematic fashion. Consequently, the consultants drew on the best sources of data available to deal with the subject at hand.

The sources of information on UI claims and expenditures are listed below. For the sake of easy reference, these are identified by the letters A, B, C, D, E and F which will be referred to in the comparisons following.

Source A. *UI administrative data for New Brunswick* accessed from EIC regional officials in Moncton and Fredericton. This information consisted principally of special tabulations from VP 8040 records covering several variables requested by the consultants for 1988. Because this was the only database that provided specific information on provincial UI claims by economic region, occupation, etc., it was used to depict the major patterns and trends of provincial and regional claims presented in Chapters Two, Three, Four and Five.

Source B. *Statistics Canada : "Unemployment Insurance Statistics"* (Catalogue 73-202S Annual Supplement, 1989). This source was used in conjunction with other Statistics Canada publications (73-001, 71-529 and 13-213) primarily in Chapter Two to depict financial trends and labour force comparisons related to UI provincially and nationally.

Source C. *Statistics Canada : "Special Tabulations of Unemployment Insurance Benficiary Data"* (1989). As noted in the study, this tabulation was initiated by the Canadian Labour Congress, and subsequently special runs were prepared for the provinces. The tabulations were developed for the exclusive purpose of comparing 1988 distributions of UI claims with distributions adjusted to estimate the impact of proposed changes to the program "by applying the eligibility criteria proposed in Bill C-21". These detailed tabulations for New Brunswick were used as the sole source of data for the estimates of impacts provincially presented in Chapters Three and Four.

Source D. *Employment and Immigration Canada: "Analysis of Structural Changes to the UI Program"* (August, 1989). As noted throughout the study, this report represented the federal analysis of impacts and was based on 1987 administrative data , with projections to 1990. Their findings (as well as the assumptions and methods underlying them) were the focus of the critical analyses and comparisons of impacts in Chapters Three and Four and Appendix B. Certain other statistics from this report were also drawn upon and cited in the study.

Source E. *Canadian Labour Congress: "The Impact of the Proposed Changes to Unemployment Insurance: Study of Proposed Changes to the UI Program"* (January, 1990). This report was prepared by the CLC and based on the tabulations initiated by them in Source D above, although it was not received by the consultants until the final week of the present study's preparation. Their findings for New Brunswick were checked against the findings presented in Chapters Three and Four and were found to be significantly greater in terms of impacts, as will be discussed shortly.

Source F. *Employment and Immigration Canada (Finance and Administration): "Statistics Bulletin on Unemployment Insurance"* (December, 1988). This bulletin is published regularly for use by EIC officials across Canada and compiles a variety of national and regional statistics on UI claims, benefit payments, beneficiaries, etc., as well as data on selected labour force indicators. It was used in this study as an additional source of information to check various statistics and calculations provided by the major sources above.

The most critical databases were Sources A and C. The major differences between them are outlined below along with comparisons of other impact estimates.

1. While both sources are based on 1988 UI data, the totals of recorded claims for each are not the same, because they were calculated differently by each source. So while the EIC officials who prepared Source A were asked by the consultants to compile the data in such a way that it would estimate individuals rather than total claims, their tabulations yielded a total of 85,575 claims drawn by 84,043 individuals. The former total was used, because all breakdowns of their data (i.e. by economic regions, occupations, etc.) were based on that total.

In contrast, the tabulations prepared by Source C focused on "unduplicated claims", which were derived from data on "terminated claims". As they explain it: "The number of benefit periods terminated is obtained by checking if a beneficiary continues to claim unemployment insurance benefits in successive months. It is assumed that a person terminated a benefit period if he/she received the maximum allowable benefits, or if he/she was not identified as a beneficiary on successive files for 24 or more weeks." As a result, they ended up with a total of 97, 233 "unduplicated claims" for New Brunswick in 1988, or a larger total than that derived by Source A. This total, however, corresponds closely with the total recorded on "claims terminated" in 1988 from Source F, i.e., 95,500 claims.

Moreover, in our view, their use of terminated claims to approximate "unduplicated claims" is a legitimate method, and their total is therefore a reasonable estimate. (At the same time, it is certainly clearer than Source D, which offers no specific information as to how they arrived at their figures, i.e., they list what variables they investigated, but do not explain how they did their calculations.)

2. In any event, Source A could not be used in calculating impacts of UI changes, because their data (VP 8040 records) on qualifying weeks and durations of benefits are not broken down into single weeks. Rather, for example, their data on qualifying weeks are grouped in categories of 10 - 13 weeks, 14 - 19 weeks, etc., which could not be used to deal with the proposed changes in qualifying weeks, because if, say, a person would need ll weeks instead of 10 weeks (under the existing program), it was not possible to determine from this source how many of those claims within the 10 - 13 week range qualified with 10 weeks in 1988. The same problem was true with the categories offered by Source A for durations of benefits (e.g., 1 -13 weeks, 14 - 26 weeks, etc.). Because of this, use of Source A data was restricted to patterns and trends.

In contrast , Source C provided tabulations broken out into single weeks and because their tabulations were prepared for the exclusive purpose of assessing impacts of changes in the program, their data for New Brunswick were used in this study for the same purpose. (It may also be noted in this context that Source D , the federal analysis of impacts, offered no breakdowns of data for Canada or the provinces that would allow one to reanalyze their calculations.)

3. While the estimates of impacts of this study are far greater than those of the federal EIC analysis, they remain more conservative than the estimates for New Brunswick of Source D (the CLC report), as noted earlier. In terms of qualifying weeks, the CLC estimates 23,960 "persons affected" versus 21,990 in this study, or a difference of plus 8%. In terms of durations of benefits, the CLC estimates are far greater, i.e. 10,420 "persons affected" versus 7,714 in this study, or a difference of plus 35%. The consultants were unable to investigate these differences further, but it is worth noting that if the CLC's findings were applied to estimated financial impacts, the results would be significantly greater than those presented in Chapters Three and Four.

4. Finally, in order to make this report as readable as possible and to avoid burdening readers with the array of technical terms associated with the UI program, certain liberties were taken in the writing of the report, such as the use of "workers" or "persons" instead of constant reference to "unduplicated claims" or "terminated claims" or "beneficiaries". In addition, many statistics concerning the role of UI in New Brunswick and patterns/trends of claims were rounded off (again) for the sake of easier reading, and because these analyses were intended only to provide a broad picture of the program and its use provincially. The consultants are not aware of any figures presented, however, that are not accurate approximations or that would affect the major conclusions arrived at in any significant manner.